# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,846

Tuesday February 4 1986

D 8523 B


**French join the Star Wars scramble, Page 3**

World news

## France expels 4 Soviet diplomats

France expelled four Soviet diplomats in the wake of the arrest 10 days earlier of a former French air force mechanic on charges of spying.

The Government also announced plans to give Moscow six months' notice of cancellation of the Franco-Soviet agreement on commercial shipping. Page 2

The actions came as Washington virtually confirmed an imminent East-West exchange of captured spies that will include release of jailed Soviet dissident Anatoly Shcharansky. The White House notified Israel that Shcharansky would be freed in three days.

### Paris studies Awacs

France's Defence Minister Paul Quilès disclosed that an official party is in the US to study possible purchase of Awacs radar surveillance aircraft. Page 3

### Tories split on vote

More than a dozen Conservative backbenchers voted against the British Government in the House of Commons to protest against its decision to authorise an £18m ($25m) contribution to an EEC budget it believes to be illegal. Another small group abstained, but Liberals helped carry the vote.

### Arias wins election

Social Democrat Oscar Arias of the governing National Liberation Party has been elected president of Costa Rica. The British-educated economist defeated Rafael Calderon of the Social Christian Unity Party by a comfortable margin. Page 4

### Indian march halted

Police in New Delhi arrested about 2,000 Indians who tried to march on Government offices to protest against sharp price increases for food and petrol. Meanwhile, an estimated 500,000 cheered Pope John Paul as he visited Calcutta and kissed the hand of Mother Teresa.

### Bangladesh strike

Bangladesh was brought to a virtual standstill by a six-hour general strike called first by opponents of the military regime, then joined by the Government as a show of solidarity with the PLO.

### Blast in Beirut

Lebanese militia leaders met in Syria to co-ordinate opposition to President Amin Gemayel, while in Christian East Beirut a bomb hidden in a handbag killed five people at a shopping centre.

### Philippines unrest

At least 82 people have been killed in guerrilla violence in the Philippines in the past two weeks as national elections draw near, the military reported. Most deaths occurred on the southern island of Mindanao. Page 4

### Ulster soldier dies

A soldier of the Ulster Defence Regiment was killed by a bomb to Northern Ireland while on patrol near the southern border. Five others escaped injury.

### Tankers hit in Gulf

An air-fired missile damaged an unloaded oil tanker of Qatar to what was believed to be Iranian retaliation for an Iraqi missile attack a day earlier on a tanker used for shipments of Iranian oil.

### Print union pressed

News International appeared ready to press for contempt of court penalties against the print union Sogat 82 over its defiance of a court order barring its members from disrupting distribution by wholesalers of The Times, Sunday Times, The Sun and News of the World. Page 9

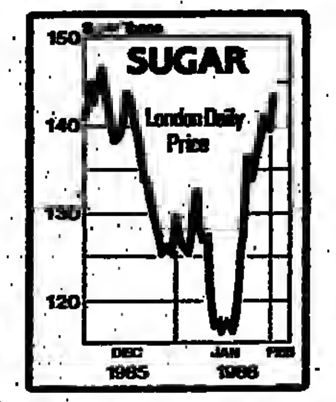
Business summary

## Investors rush for Suez issue

SUEZ: issue of rights to participate in n capital increase at French state-owned industrial and financial holding group Compagnie Financière de Suez was oversubscribed by about 300 times. Page 2; Lex, Page 16

GENERAL MOTORS, largest US car group, showed strong recovery in fourth quarter of 1985 but reported a 14 per cent decline in full-year earnings to $3.88bn on sales of $96.4bn, nearly a 15 per cent advance. Page 16

SUGAR: London daily raw price rose $4 to $143.50 a tonne, its highest since mid-December. The rise reflected n firmer futures market tone and news of a cyclone in Queensland, Australia's cane growing state. Commodities, Page 32




WALL STREET: By 3pm, the Dow Jones industrial average was up 13.30 to 1,584.29. Page 40

TOKYO was buoyed on hopes of a further cut in the discount rate. The Nikkei average gained 42.86 to 13,086.47. Page 40

LONDON slipped on oil and sterling uncertainties. The FT Ordinary index fell 5.7 to 1,155.31, while the FT-SE 100 index lost 9.9 to 1,425.1. Gilts were uneasy. Page 40

DOLLAR was firmer in London, rising to DM 2.4 (DM 2.389), SFr 2.035 (SFr 2.027) and FFr 7.3525 (FFr 7.3126) but was weaker at Y191.5 (Y192.75). On Bank of England figures, the dollar's index rose to 123.7 rom 123.4. Page 33

STERLING lost 2.65 cents against the dollar in London to finish at $1.3865. It also fell to DM 3.3275 (DM 3.375), SFr 2.8225 (SFr 2.865), FFr 10.195 (FFr 10.3325) and Y265.5 (Y272.5). The pound's exchange-rate index fell 1.1 to 73.5. Page 33

GOLD fell $2.125 on the London bullion market to $347.50 and lost $3.325 in Zurich to $347.55. In New York the Comex April settlement was $347.40. Page 32

CENTRAL BANK of Ireland raised its overnight lending rate by two points to 13.75 per cent as speculation over EMS realignment pushed Dublin money market rates to about 15 per cent for one-month deposits.

NOBEL INDUSTRIES has been accused by a Swedish state prosecutor of attempting to ship 20 tonnes of military explosives to East Germany without obtaining necessary permits. The group's Nobel Kemi subsidiary had labelled the shipment as hunting ammmition.

NORSK DATA, Norwegian computer group, increased its pre-tax profits by 55 per cent to NKr 360m ($48m) last year. Lex, Page 16; details, Page 18

IRWIN JACOBS, Minneapolis-based investor, has offered $750m for Pioneer, a troubled Texas oil, gas and uranium group. Page 17

ZANUSSI, Italian electrical appliance maker controlled by Electrolux of Sweden, reduced its losses last year to L30bn ($18m) from L125.9bn in 1984. Page 17

OLIVETTI, Europe's leading office equipment maker, is joining forces with Micro Age, US chain of personal computer shops, to launch a network of personal computer and software retail outlets in Italy, France, Britain and West Germany. Page 17

BRITAIN CONSIDERS SPLITTING AND SELLING BL

# Ford negotiating to buy Austin Rover; GM in truck talks

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FORD of Europe is understood to be negotiating with BL, the British state-owned motor group, to buy its volume car subsidiary, Austin Rover.

The talks are at a very early stage but they offer some prospect of the UK Government's splitting up and selling both main divisions of BL to US groups before the next general election.

Mr Paul Channon, the Trade and Industry Secretary, confirmed yesterday that talks between BL and General Motors, the world's biggest automotive group, about the possible sale of both the Land Rover and Leyland Truck operations were at an advanced stage.

He also disclosed that separate discussions were going on between BL and the Laird Group, which owns bus maker Metro-Cammell-Weymann, about the possible purchase of Leyland Bus.

Mr Channon's statement to the House of Commons about GM and suggestions at the weekend by Mr Roy Hattersley, deputy leader of the Labour Party, that Austin Rover was also potentially up for sale, brought life to the BL shares yesterday. In late trading they rose by 9p to 42p.

It now seems clear that Ford of Europe is the front runner if Austin Rover is to be sold. But both the Department of Trade and Industry and Ford were playing down the importance of the negotiations last night.

However, they are serious enough for Austin Rover to have informed Honda, the Japanese group with which it is involved in a number of co-operative ventures and which has frequently been tipped as a possible future partner.

The scheme for BL to sell off its Unipart spare parts business to a group of institutions seems to have been shelved while the talks with Ford are going on.

The Trade Department last night confirmed that discussions were taking place between Ford and BL on "matters of common commercial interest."

Ford of Europe said: "It is absolutely true that we are talking to n large number of companies in the industry. Everyone is talking to everyone. But we do not make any statements until the talks actually come to some conclusion."

The company maintained a similar stance right through merger discussions last year with Fiat. Those talks broke down at the last hurdle.

Ford has been attacking the problems besetting its European business which, in its heyday six years ago, made an annual profit of $1bn but which turned in a marginal net surplus of only $147m in 1984. Apart from the negotiations with BL, Ford is talking to Iveco, the Fiat subsidiary, about wide-ranging co-operation in heavy truck production.

The problems that proved insurmountable in the Fiat talks – legal difficulties over shareholdings and questions about which company would have control of a merged group – would not arise with the straightforward purchase of Austin Rover.

But some of the benefits would remain even if Ford's European operations would be heavily concentrated in the UK. The potential for economies of scale, savings in investment, pooling of research and development, technology and the sharing of key components such as engines, transmissions and floorpans would be considerable.

If the deal went ahead it would give Ford an impregnable position in the UK new car market where it has been losing ground to its arch-rival, GM, the Vauxhall-Opel group.

It would also upset the plans of the Japanese: Honda, which hoped


Continued on Page 16

UK Government response, Page 9; GM profit falls, Page 16


# VW-Audi tops European car sales in 1985

BY OUR MOTOR INDUSTRY CORRESPONDENT IN LONDON

VOLKSWAGEN-AUDI of West Germany last year topped the West European new car sales league for the first time. Fiat of Italy was runner-up for the second successive year, while Ford, the 1984 winner, fell back to third place.

Car sales in the 17 main West European markets were reasonably buoyant last year – they fell from the 1984 level in only two markets (West Germany and Switzerland) and improved by 4.6 per cent to 10.66m units.

But competition, fuelled by excess production capacity, remained severe, particularly among the six major manufacturers. The gap between VW-Audi in first place and Renault in sixth was only 2.2 percentage points.

Japanese imports are contributing to the competitive conditions. The Japanese share of the West European car market reached a record 10.7 per cent last year, up from 10.2 per cent, and was equal to Renault's share.

WESTERN EUROPEAN CAR MARKET

| Total sales | 1984 | 1985 |
|---|---|---|
| | 10.187m | 10.66m |

MARKET SHARES (%)

| | 1984 | 1985 |
|---|---|---|
| VW-Audi | 12.0 | 12.9 |
| Fiat-Lancia | 12.7 | 12.2 |
| Ford | 12.8 | 11.9 |
| Peugeot-Citroën-Talbot | 11.5 | 11.6 |
| GM (Opel-Vauxhall) | 11.1 | 11.4 |
| Renault | 10.9 | 10.7 |
| BL-Austin Rover | 3.9 | 3.9 |
| Daimler-Benz (Mercedes) | 3.2 | 3.7 |
| Nissan | 2.8 | 2.9 |
| BMW | 3.0 | 2.7 |
| Toyota | 2.2 | 2.6 |
| Volvo | 2.3 | 2.4 |
| Mazda | 2.0 | 1.9 |
| Alfa Romeo | 1.8 | 1.5 |
| Seat | 1.5 | 1.4 |

*Industry sources*

Nissan, second largest of the Japanese groups, overtook BMW, the first time an importer has finished ahead of the West German specialist car producer.

Two factors in particular contributed to VW-Audi's success. Its best-selling model, the Golf, performed strongly in all markets and was Europe's best-selling car last year with 586,000 sales, or 5.5 per cent of total European registrations.

VW-Audi also now has a substantial foothold in the Spanish car market, where it was not represented until 1982 when it linked with the state-owned Seat group there. In return for technological


Continued on Page 16


# Banks poised to block Mexican requests for extra borrowing

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

MEXICO'S main creditor banks are preparing to resist requests for extra credit to offset the $2.2bn in foreign-exchange revenues the country expects to lose this year after its $4-a-barrel oil price cut at the weekend.

At a meeting today in New York, the Citibank-chaired committee of leading creditors will tell Mr Angel Gurria, Mexico's Director of Public Credit, that the market simply will not bear such large additional demands.

Mr Jesús Silva Herzog, Finance Minister, who had been expected to travel to New York for the talks, was told the banks he will not attend.

Mexico has said it will seek some $4bn in foreign finance this year, including net loans of some $2.5bn from commercial banks. Last week, however, Mr Silva Herzog said the country might need to find an additional $3bn to make up for lost oil revenues.

Ahead of today's meeting, senior bankers are already starting to dispute the figures.

They say Mexico was overestimating its financing needs even before the oil price fell. The country would need much less than $2.5bn net if it took measures to open up its economy to foreign investment, cut bureaucratic waste and sell off state enterprises, said one top creditor.

Although in the view of another banker, "to ask for $6bn would be suicide," the Reagan Administration seems to regard that figure as Mexico's actual requirement. Mr David Mulford, Assistant Secretary to the Treasury, told a congressional committee last week that Mexico needed another $5bn to $8.5bn. Whatever the figure, commercial banks are now looking increasingly towards governments in the industrial countries to take a bigger share of the burden.

The bankers said they were aware of the political problems fac-


Continued on Page 16


**Industrialised countries have no intention of bailing out commercial banks by guaranteeing their lending to debtor states, Mr Onno Ruding, the Dutch Finance Minister and chairman of the International Monetary Fund's Interim Committee, said in Davos. Page 2**

# £ falls sharply but UK holds rates steady

By George Graham in London

THE POUND fell sharply on foreign exchanges yesterday as concern mounted that Opec ministers meeting in Vienna would fail to stem the fall in oil prices.

British interest rates moved higher on the sterling money markets, but the Bank of England signalled in its money market operations that it saw no need for any change in bank base lending rates. Attention in the City of London is now focused on figures for the money supply and for official reserves of gold and currency – due to be announced today – which are generally expected to be poor.

Analysts forecast sterling M3, the broad measure of money, to show a substantial increase, and bank lending is also expected to have been strong. Despite pessimism on the monetary figures, however, most brokers still expected the authorities to continue to resist any move to higher base rates.

The dollar also fell in early trading yesterday, dropping below Y190 at one stage, but recovered after Mr Satoshi Sumita, the Governor of the Bank of Japan, told a Tokyo press conference he thought the yen had been rising "a little too fast."

Mr Sumita said it was desirable for the yen to appreciate in order to correct Japan's external trade imbalance, but for the time being, it was more important for it to stabilise to help Japanese industry to adjust. He saw no need for the Bank of Japan to intervene in the foreign exchanges to slow the dollar's fall. Fears of central bank intervention, however, helped the dollar to recover to Y191.50.

Sterling started the day at 73.3 on the Bank of England's trade weighted index, 1.3 points down from Friday's close but recovered to 73.5. It closed at $1.3865 compared with Friday's $1.413 and DM 3.3275 down from DM 3.375.

The Canadian dollar, meanwhile, dropped below US$0.70 for the first time yesterday, despite a sharp increase in Canadian interest rates.

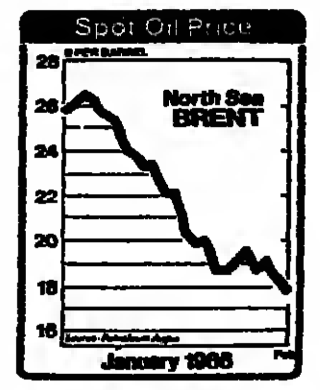
City brokers said that neither the money markets nor Government securities had reacted as sharply as the foreign exchanges to the fall in oil prices. Although 3 month interbank rates rose to 13¾ per cent, they said shorter term money at less than 13 per cent was within range of bank base lending rates of 12½ per cent.

Gilt edged stock with longer maturities ended up to ¾ point lower, however, and shares also lost ground. The FT Ordinary share index fell 5.7 to 1155.3.


Canadian dollar falls, Page 4; Currencies, Page 33


# Opec renews warning as oil prices fall

BY DOMINIC LAWSON IN VIENNA AND MAX WILKINSON IN LONDON




THE Organisation of Petroleum Exporting Countries (Opec) yesterday warned again that a price war was inevitable unless other world producers allowed its 13 members a bigger share of the oil market.

As ministers from five Opec countries met in Vienna, oil prices fell sharply on the European spot market. The slide accelerated after reports that the Saudi Arabian Oil Minister, Sheikh Ahmed Zaki Yamani, had said there was no hope of reaching agreement between Opec and non-Opec countries on a plan to limit production.

North Sea spot oil prices fell more than $1 a barrel. Brent crude oil for delivery in April was traded at $16.80, the first time since 1979 it has been less than $17.

Sheikh Yamani's remarks, reported in the Arabic language newspaper, Okaz, helped strengthen the view among European traders that the talks in Vienna had little chance of leading to any agreement which could stabilise oil prices.

As North Sea prices slid in an extremely nervous market, sterling lost almost 1½ per cent of its value against a trade-weighted basket of currencies.

Behind the scenes at the Vienna talks between the Oil Ministers of Kuwait, Venezuela, Indonesia, Iraq and the United Arab Emirates, a clear divide emerged over how Opec should conduct its drive for increased shares in the 45.5m barrels-a-day free world oil market.

The Gulf producers, particularly Kuwait, argue that every producer in the organisation should sell as much oil as possible and force non-Opec producers, such as the UK, to take a smaller share of the market or face a price war that could see oil fall to $10 a barrel or less. "There is no point in setting production targets," said a Gulf official yesterday. "We should sell every barrel we can."

But Venezuela, whose Oil Minister, Dr Arturo Hernandez Grisanti, is president of Opec, believes the organisation should set a minimum market share of about 17.25m b/d. "We should show that we want accommodation with non-Opec countries – not confrontation," an Opec official said yesterday.

Residual demand for Opec oil this year is expected to average 15.5m b/d, so even the modest Venezuelan approach would involve a major cut in non-Opec production, particularly from the UK which produces 2.5m b/d. Indonesia has called for an 18m b/d minimum market share.

The non-Gulf Opec countries are likely to call for an extraordinary ministerial meeting in March, which would have the power to set a minimum production target. But Saudi Arabia and Kuwait oppose the idea of an emergency meeting, believing Opec should not set n new output target until it has achieved specific pledges of production cuts from non-Opec producers, particularly the UK.

Sheikh Yamani was reported as saying that "a thousand ministerial committees" had studied the question of how Opec should define and defend a fair share of the oil market.

The five-man committee meeting in Vienna would have a difficult task because experts meeting before yesterday's gathering had expressed different opinions, he believed.

Sheikh Yamani said contacts with non-Opec states including Britain and Norway "had not yielded any positive results and no possibility of reaching an agreement is visible on the horizon."

"There is no need for an extraordinary meeting before the end of this year, if it takes that long for non-Opec producers to back down," said a Gulf official. But if at least seven Opec states call for an emergency meeting then the Gulf states will not be able to veto it.

While the Gulf countries are willing to see the price drop to single figures, other producers believe that even in the drive for market share the organisation should at some point stabilise prices.

There is a further faction in Opec consisting of Iran, Algeria and Libya. These countries believe the organisation should cut production to below 16m b/d and force prices back up. But with Iraq and Nigeria insisting on an increase in their combined quotas of about 1.3m b/d such an accommodation is seen as impossible.

Yesterday's meeting was preceded by a 19-hour meeting of experts from all 13 states



CONTENTS

# France expels Soviet diplomats for spying

BY PAUL BETTS IN PARIS

THE FRENCH Government has expelled four Soviet diplomats for spying and warned that other expulsions could follow. This is the biggest French crackdown against Soviet secret service activities since President Francois Mitterrand's spectacular decision to expell 47 members of the Soviet embassy in June 1983.

The embassy here last night called the French move "manifestly unfriendly and provocative. In an angry statement, it warned that responsibility for the consequences of the expulsions would fall entirely on France.

The decision to expel the four diplomats, either military or commercial attaches accused of working for the Soviet secret service, follows the arrest of a Soviet informer in France a fortnight ago.

Mr Bernad Sourisseau, is a former French army NCO accused of supplying information to Moscow for several years on French military bases in Brittany. This is a strategic area for France's nuclear force de frappe and a key base for the country's nuclear submarine forces.

However, unlike the dramatic expulsions three years ago when relations between the French Left-wing Government and Moscow were extremely cool, relations have improved substantially following Mr Mikhail Gorbachev's visit to France last autumn and the controversial visit to Paris of General Wojciech Jaruzelski, the Polish leader.

The latest action is not expected to provoke a rupture in Franco-Soviet relations nor affect President Mitterrand's plans to visit Moscow this year. However, officials here think that Moscow may decide to expel a similar number of French diplomats in retaliation.

They also suggested yesterday that the expulsions were intended as a reminder to the Soviet Union not to go too far in its spying activities. France could reconsider the current conditions for Soviet ships anchoring in French waters as a further reprisal, they said. About 1,500 Soviet ships moor in French harbours every year.

## Anti-austerity protests flare again in Greece

By Andriana Ierodiaconou in Athens

THE RELATIVE labour calm which has reigned in Greece since the New Year was disrupted yesterday as unions launched a fresh wave of protests and strikes against the Socialist Government's two-year economic austerity programme.

In Athens workers marched to Parliament, which was scheduled to begin debating a Bil ratifying a two-year wage freeze and the substantial watering down of the system of linking salaries and wages to inflation. A similar protest was planned in Salonika, Greece's second largest city.

Meanwhile, the two main textile workers' federations said they would stop work for 24 hours tomorrow. Construction workers are due to do the same on February 13. Labour federations in several cities are said to be preparing for strikes later this month.

## French Communists switch election attack

BY OUR PARIS STAFF

LEADERS OF the French Communist Party assembled behind closed doors yesterday for a two-day brain-storming session of the central committee to review electoral tactics barely six weeks before the general election.

The meeting comes at a time when the Communists have visibly changed their electoral line of attack. After splitting with the Socialists and breaking the so-called Union of the Left, they had devoted most of their time and effort to criticising and condemning the Government policies. But in recent weeks they have softened their criticisms of the Socialists and intensified their traditional attacks against the right.

Mr Georges Marchais, the Communist secretary general who at last year's congress underlined the depths of the divisions between his party and the Socialist government, signalled the change during a television appearance in which he underlined the resolve of the Communists to fight the Right in the election.

Although, on the surface at least, there is nothing very surprising about a Communist party attacking the Right in an election campaign, the shift in the French party's attitude is none the less significant.

The Communists had hoped to halt their steady electoral decline by leaving the coalition with the Socialists and adopting a more traditional hard left-wing line, especially against the Government's industrial restructuring programmes in key sectors like steel, coal and cars.

The political guerrilla campaign has not produced the results the party had hoped for, however. The Communists are still expected to poll around 10 per cent or a little more of the national vote in March and could again be overtaken by the extreme-right National Front as in the European Parliament elections. Moreover, the party's anti-Socialist line appears to have confused many Communist and working class voters. This has been reflected in part in the failure during the past 12 months of the pro-Communist CGT labour confederation to provoke serious labour unrest against Socialist government policies.

The Communists thus appear to have decided to campaign on more conventional anti-right themes. This has been welcomed by reformist party members who had bitterly criticised the aggressive line against the *Socialists*.

It is one of the small ironies of French politics that the change in Communist attitudes far from overjoying the Socialists is worrying them. They are hoping to poll at least 30 per cent of the vote in March and had been banking on the Communist's anti-Socialist and anti-union of the left approach to help them win some undecided left-wing votes as well as steal votes from Communist moderates unhappy with the party's line.

Adding to the general irony of the situation is the fact that the Communist softening towards the Socialists comes at a time when the right-wing opposition parties continue to squabble between themselves and to struggle to form a united front for the elections. Indeed, the internal jostling between the leaders of the right has continued to undermine its image. The right, nonetheless, is widely expected to win a majority in the National Assembly.

## European initiative on defence research

By Bridget Bloom, Defence Correspondent

DEFENCE research directors from 12 European countries meet in London today in an effort to begin harmonising their national programmes.

The conference, the brainchild of Mr Michael Heseltine when he was Britain's Defence Secretary, is the first of its kind. It stems from last June's ministerial meeting of the Independent European Programme Group, the Nato-affiliated body which aims to encourage the collaborative production of defence equipment.

The IEPG is formally independent of Nato's military structure so that it can include France. Its other members are Britain, Belgium, Denmark, West Germany, Greece, Italy, the Netherlands, Norway, Portugal, Spain, Turkey, and Luxembourg, the only country unrepresented at today's conference.

In the words of last June's communiqué, the aim of the conference is to examine ways of making more efficient use of Europe's research facilities and capabilities, within the wider context of the IEPG collaborative programme.

This includes several practical steps in which governments are pledged to harmonise both their military requirements for new equipment and the dates when such equipment is required to be in service. Harmonisation of the military research effort is seen as a particularly important input into this process.

Many potential collaborative projects have failed in the past since nations have pursued independent research into new technologies, with their armed services requiring different capabilities from new weapons systems.

The two-day conference will examine the possibility of collaboration in 30 areas of high technology already identified by defence ministers as possible fields for co-operation. They fall within five broad headings: micro - electronics (gallium arsenide); high strength light weight materials; compound materials; image processing and convetnional warhead design.

Mr George Younger, Britain's new Defence Secretary, will make his first major speech since his promotion at the conference.

Britain has by far the biggest delegation with some 40 officials led by Sir David Perry, in charge of collaboration in the defence Ministry, and Mr Colin Fielding, the national research director. Directors of the military research establishments will also be present.

## Phillips may build pipeline to pump nitrogen into Ekofisk

BY FAY GJESTER IN OSLO

PHILLIPS PETROLEUM is considering laying a North Sea pipeline between its Ekofisk field, in Norway's part of the North Sea, and Emden in West Germany. It would be used initially to pipe nitrogen to the field for injection into the reservoir in order to curb sea-bed subsidence.

About a quarter of the field's own gas output is presently reinjected for this purpose, thus sharply reducing the amount available for sale.

The nitrogen line could be used later to send oil or gas in the opposite direction—possibly as part of a new North Sea pipeline system.

Phillips has been studying how to cope with the subsidence problem ever since it was discovered about a year-and-a-half ago. The sinkage, caused by compaction of the chalk reservoir thousands of metres below the seabed, is a threat to the field's platforms. The field is sinking at the rate of about 42 cm a year.

Injection of Ekofisk gas—which has meant cutting contract deliveries to customers in Europe—has always been regarded as a stopgap. Other alternatives include building a nitrogen plant on the field itself—at an estimated cost of NKr 10 bn-NKr 15bn—or developing the nearby Tommeliten field, and using its gas for re-injection.

The latter idea is strongly favoured by Norway's Oil Ministry, because it would provide work for the country's offshore fabricating industry and a market for gas from a marginal field.

Phillips has so far resisted pressure to develop Tommeliten, in which it is a partner. The pipeline scheme is probably more attractive to the company, because of its potential. Industry officials suggest that it could be ready for service by 1989-90. The nitrogen would be bought from European suppliers—a valuable contract for a manufacturer of industrial gases.

A decision is expected in the spring or early summer.

## Banks told not to expect bail-out in debt crisis

BY JONATHAN CARR IN DAVOS

GOVERNMENTS in the industrialised countries have no intention of bailing out the commercial banks by guaranteeing their lending of the debtor states, according to Mr Onno Ruding, the Dutch Finance Minister and chairman of the International Monetary Fund's Interim Committee.

He told senior executives here that the banks cannot run away from the international debt problem. "They are stuck with it and they had better keep moving," he said.

Mr Ruding agreed there had to be burden-sharing to cope with the debt crisis both between national groups of banks and between banks and governments. But the government role must be limited to such action as providing more export credit or helping increase the capital of the World Bank, not to "bailing out" the private banking sector.

He was speaking at the Davos Symposium, an international business and economics conference bringing together more than 600 participants from over 50 countries. A key topic has been the scheme announced by Mr James Baker, the US Treasury Secretary, to ease the debt problem through combined action by borrowers, banks, industrialised country governments and international organisations.

The Dutch minister said he was "rather optimistic" about the Baker plan in view of the progress made since it was proposed last October. At least some of the debtor states were following sound economic and financial policies and the banks had expressed conditional support.

However, bankers on the sidelines here have emphasised that serious problems have to be solved before they agree to put up the $20bn in extra credit over the next three years foreseen under the scheme. Some of the debtors countries also show increasing caution towards the plan because of the sharp fall in commodity prices.

## Belgrade lifts bank rates

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN LONDON

THE YUGOSLAV Government has changed course again by promising the International Monetary Fund that bank interest rates will be raised to match the country's soaring inflation rate for at least the next two months, if not necessarily to the expiry of its current IMF adjustment programme in mid-May.

Belgrade and the IMF have had successive disputes over ways to curb Yugoslav inflation, which ran at an annual pace of 80 per cent in 1985, and in particular about the Fund requirement for real or positive interests as a discipline on Yugoslav borrowers. The latest disagreement came in December last year, when the Government, responding to protests from corporate borrowers, froze interest rates.

● Iskra, Yugoslavia's leading electronics manufacturer, has offered 20 of its some 2,000 product programmes for inclusion in the West European Eureka scientific programme. It claims that in these 20 products it can compete with the best in the US and Japan. Yugoslavia is the first non-aligned country to express interest in joining Eureka, but not the first Communist country to do so. Hungary and Bulgaria have already declared their readiness to join in.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

# EUROPEAN NEWS

Paris has changed its mind about the SDI, writes **David Marsh**

## French join Star Wars scramble

LEADING FRENCH aerospace and defence electronics companies, after several months of waiting on the sidelines, are trying to make up for lost time in mounting bids to win research contracts under the US Strategic Defence Initiative (SDI) research programme.

In spite of last week's tragedy of the Challenger space shuttle, as well as mounting pressure in the US Congress *for cuts* in defence spending—both of which could seriously set back the SDI or "Star Wars" programme—a consensus is emerging between the French Government and industry that SDI involvement would be beneficial.

Mr Paul Quiles, the French Defence Minister, who has previously criticised the SDI programme on strategic and technological grounds, signalled a change of tone late last month when he said he was in favour of French participation.

The main French companies interested in SDI are Thomson and Matra in defence electronics, Aerospatiale, the aerospace group, the Cilas laser subsidiary of the Alcatel electronics group as well as computer software companies like Sesa and Cap Gemini Sogeti and a range of specialised aero-equipment concerns.

Both French and US officials say that, up to now, the Socialist government's frequently-stated political opposition to the "Star Wars" programme has impeded French companies' chances of taking part.

The Government remains opposed to the strategic concept of SDI, partly because it could eventually pose a question mark over France's own nuclear deterrent. But the Government now believes research participation could aid a general French bid to harness militarily useful technologies in areas such as aerial defence and space-borne detection systems. Companies are attracted by the idea of increasing research links with US and other international experts, even though the monetary value of SDI contracts seems likely to remain small.

NO 7—8/84

French company executives believe that, given the country's strength in key areas of the defence electronics business, the lack of a British-style, goverment - to - government agreement over SDI links should not present a major handicap for French groups.

"As long as the US is looking at SDI as a research programme and not as a political means of getting European companies to prostitute themselves for President Reagan, (the lack of a French government accord) should not be a bar," says one official.

"Contracts will come not from politics but from competence," says another executive. Referring to the likely return to power after general elections in March of the Conservative opposition, whose leaders have taken a generally more favourable stance to SDI than the Socialists, he says: "Governments are more expendible than technologies."

France's proven track record in military equipment co-operation with the US—underlined by the Pentagon's recent decision to buy a mobile battlefield communications system based on the French Rita system, as well as by other less-publicised collaboration in sensitive areas such as nuclear missiles and warheads—shouid facilitate SDI links, French companies say.

They also claim—probably with justification—that French security to prevent passing of technological secrets to the East bloc is far higher than in West Germany, which is currently negotiating with Washington its own SDI participation accord.

All the same, Mr Georges Pebereau, chairman of nationalised electronics and engineering group Compagnie Generale d'Electricite, whose Cilas subsidiary is Europe's leader in military lasers, says the Quiles "green light" was necessary to allow his group to start proper negotiations over SDI involvement.

Mr Pebereau learned about the Government's change of heart over SDI during Mr Quiles' visit on January 23 to the CGE group's research centre at Marcoussis near Paris. He says he immediately authorised restart of contacts with the Pentagon.

Before Mr Quiles' declaration, the Government bad said it would not oppose French companies teaming up with the SDI organisation but had stopped short of endorsing such links.

Mr Quiles, in some of his previous uncompromising statements about SDI has provoked discreet protests from defence industrialists to the Elysee Palace that the hostile stance was harming French involvement in potentially valuable research.

Even before the change of tone by the Government, companies like Aerospatiale, had signalled a more positive attitude. Mr Henri Matre, the Aerospatiale board chairman, says he does not expect SDI to lead to a "pot of gold" for European companies. But his company is in contact with the SDI organisation in Washington. "If the US wants to give Aerospatiale some contracts, then I can only see the advantages," he says.

Matra is the furthest down the line in discussions with the SDI organisation. It hopes to make use particularly of its expertise in kinetic energy weapons and in optical systems, using experience in both the missile and remote-sensing areas. Although Matra's hopes for firm contracts by the end of last year have been dashed, the company still hopes for an agreement over SDI work by the end of March.

One of the earliest French companies to become involved in SDI is the specialised optical division of the SFIM group, Reosc, which in 1984 delivered to the US navy a $900,000 mirror for focusing lasers. Mr Dominique de Ponteves, Reosc's chairman, says contacts are continuing with the US over further contracts. "We haven't become aware of any slackening of US interest for our technology," he says.

Thomson believes European companies have a 25-year lead over the Americans in integrating computerised systems for aerial defence — vital technologies for the detection, tracking and guidance systems planned to be incorporated into Star Wars. Because SDI research also provides the possibility of coming up with solutions for the anti-tactical missile defensive screen which France is interested in developing with West Germany (to defend air bases, for instance), SDI involvement would therefore offer a way of combining US and European interests.

### AWACS ORDER UNDER STUDY

FRANCE APPEARS to be moving closer to ordering a US airborne radar early warning system to boost its defences against missile or aircraft attack from the Soviet Union, writes David Marsh.

Mr Paul Quiles, the Defence Minister, said at the weekend that a team of engineers was in the US to study the question of buying Boeing Awacs aircraft and would submit a "definitive report later this month.

France has been considering for several years how to repair what experts consider a serious breach in its air defences—the lack of an airborne radar system to detect attack either over its southeastern border or from the *Atlantic*. A decision to buy Awacs, however, has always been shelved both because of shortage of budgetary funds and the desire to study alternatives.

Britain's setbacks with its own Nimrod early-warning system—which France once believed was an alternative to buying Boeing equipment—are likely to have swayed the Government against trying to develop an indigenous solution. Britain is itself considering cancelling Nimrod and buying Awacs.

The French Defence Ministry has excluded any question of Awacs purchase from 1986 budgetary planning. But the Pentagon's decision in November to buy France's Rita mobile battlefield communications system to equip the US army at a cost of $4.3bn makes purchase of Awacs more likely. The possibility that Britain, too, may buy Awacs *may* also help persuade the French to go ahead. The Boeing production line has been shut down, restarting it for both Britain and France would lower unit costs.

## Sharp fall in Poland's coal sales forecast

By Christopher Bobinski in Warsaw

POLAND'S POWERFUL energy lobby is warning that the country's coal exports could fall by 40 per cent to 20m tonnes in 1990 unless more money is spent on developing production capacity.

The warning was issued last week at a meeting of the parliamentary energy committee at which General Czeslaw Piotrowski, the Mining Minister, clashed openly with a senior planning official over investment allocations in the current five-year plan.

The argument reflects both the dearth of investment finance facing Poland and an important debate about how fast the economy should be restructured and economic reforms implemented to encourage fuel savings.

Poland's energy production is more than 90 per cent based on hard coal and lignite, while hard coal exports last year provided a fifth of the country's hard currency earnings. This year, coal sales abroad are projected at 35-37m tonnes, compared to 36m tonnes last year.

Last spring, the mining lobby persuaded Parliament to recommend an ambitious development programme which sets minimum spending on mines and power stations between 1986 and 1990 at Zl 1,921bn (£9.1bn). However, the draft plan prepared by the planning commission for approval by a Communist party congress next June has earmarked Zl 1,300bn (£6.1bn) for this sector.

It is this latter figure which has drawn the Mining Minister's fire and which led the parliamentary committee last week to draft a demand to the Prime Minister to increase the energy investment allocation."

Mr Jerzy Gwiazdzinski, a deputy head of the planning commission, defended the draft plan by explaining that the total allocation for industrial investment in this period was Zl 3,500bn.

### Soviet graft trial

A former minister in the Soviet republic of Azerbaijan has been brought to trial for graft and misuse of power in a further move against corruption in local party ranks, Reuter reports from Moscow. The local party leader has also admitted some blame for not weeding out more corrupt officials and for inefficiency.

# OVERSEAS NEWS

## Beirut handbag bomb kills six

A BOMB concealed in a handbag ripped through a Christian shopping district yesterday killing at least a half dozen people, the latest in a wave of attacks apparently linked to Christian defiance to a Syrian-brokered agreement, Nora Boustany writes from Beirut.

Planted some 300 yards from an office housing Phalange Party offices, the explosive devastated an elegant shoe store in the New Jdeideh suburb. It was the seventh bombing in Christian areas in three days. Though fears of a Syrian-backed offensive by Moslem and leftist militias against the Christian heartland have temporarily subsided, the latest series of explosions since last Friday has created a climate of insecurity

The Lebanese president, Mr Amin Gemayel, supported by Phalange loyalists and hard-line Christian militias overthrew Mr Elie Hobeika on January 15, a main Damascus ally who had signed the Syrian-engineered peace pact. Since then, Mr Gemayel has come under increasing pressure from Moslem critics to step down

On Sunday, two bombs exploded near Phalange party offices raising the spectre of an inter-Christian war over the scuttled agreement. Elsewhere in Christian-dominated East Beirut, an Armenian neighbourhood was rocked by three blasts.

## Lebanon's president stubbornly faces the wrath of Syria

BY NORA BOUSTANY IN BEIRUT

ONCE AGAIN. Lebanon's Christians find themselves stubbornly defending their traditional prerogatives in a country that has been painfully making the transition from an economic miracle to a fragmented and disaster-ridden state.

The Lebanese currency has plunged to an unprecented low against the US dollar, reflecting the gravity of a crisis brought on by the collapse of the Syrian-brokered peace accord. Military reinforcements reaching the peaks overlooking the village of Bickfaya, in the Upper Maten, the stronghold of President Amin Gemayel, have revived the spectre of a Syrian siege of the Christian beartland. Furious witb the severe blow dealt to their carefully crafted agreement, the Syrians have been quietly study ways to bypass the defeat of Mr Elie Hobeika, tbe deposed Christian militia commander who signed the accord in December.

Mr Hobeika, the man Syria miscalculated to be master of the Christian camp, was forced into exile three weeks ago following a bloody coup by Christian militants and Phalange party loyalists of Mr Gemayel. Mr Hobeika's reappearance in Damascus, part of Syrian efforts to forge together a Christian-Moslem opposition front, coincided with a build-up by left-wing militias aronnd the Christian beartland.

Syrian officials have warned that Mr Gemayel "will lose everything . . . what we regret is that our brothers in Lebanon will bear the devastating consequences of his foolisb policy." The Lebanese President, whose regime has suffered from lack of support in the Christian camp since be came to power in 1982, became uncharacteristically popular recently wben he objected to the accord, citing reservations on certain of its political clauses by traditionalists and Christian bardliners.

"We may have lost our bet on Amin Gemayel. We wanted to belp him achieve a solution through peace and reforms. He preferred to be a bero of war and a champion of tbe old obsolete system," the same Syrian official said.

A Lebanese politician privy to the mood in Damascus said the question now was not "whether to deal with Amin, but how to make bim fall."

Syria's legendary pragmatism in dealing with Lebanon's mosale of armed groups and factions, however, is being put to the test as it contemplates how it can hest dispose of Mr Gemayel while maintaining its credibility as Lebanon's declared guardian. The launching of any full-scale military offensive is likely to rally the Christian support for Mr Gemayel, if not because of bis personal merit, then because of what he represents; threatened Christian power.

**Lebanon is caught between the Moslem conviction that Gemayel must go and the Christian consensus that he must stay**

The US State Department bas issued a statement saying it was against military atcion to unseat Mr Gemayel, while Israeli reconnaissance aircraft have kept a close and daily watch over Syrian movements in Lebanon.

Lebanon finds itself canght between a strong conviction on the part of Moslems that Mr Gemayel must go and an emerging consensus in the Christian community that be must stay. Only if a group of parliamentarians draw up a petition for the President's impeachment, accusing him of treason, could the legislature be convened to vote him out of office. A two-thirds majority of Lebanon's surviving 87 deputies will be requtred to topple Mr Gemayel constitutionally.

The Christian militias (the Lebanese forces), the Phalange party and several former presidents are feverisbly preparign for a Christian conference to be sponsored by the Christian Maronite church in a bid to put the Christian house in order. Followers of the Lebanese Forces' chief of staff, Mr Samir Geagear—oftened referred to as the Christians' "Khomeini" for his extremist views — found common cause with the more moderate Phalange in ousting Mr Hobeika.

Resentment against Mr Hobeika was not only due to bis signing of the agreement with two of Lebanon's Moslem warlords, despite objections from bis own executive committee in the Lebanese Forces. Inter-Christian rivalry and irritation with his arbitrary ways

On January 15, Christian militiamen took orders directly from Mr Geagea and linked up with Phalange fighters from the Maten to dislodge Mr Hobeika.

The scuttled peace accord calls for phased reforms limiting the powers of the Christian Maronite President, allows for wider Moslem participation in the Government and legislature and lays the foundations for close co-operation with Syria in military and political affairs.

While Christian officials can justify what happened on grounds that Mr Hobeika was signing over historie rights and privileges to endear himself to the Syrians, they are at a loss to say how future disasters for the Christian community may be averted.

# OVERSEAS NEWS

**Chris Sherwell** on a recipe for confusion in voting procedure

## Filipinos doubt votes will count

AN OPINION survey published at the weekend unwittingly offered a revealing insight into this Friday's presidential election in the Philippines. Sixty-two per cent of respondents thought incumbent Ferdinand Marcos would defeat his challenger, Mrs Corazon Aquino. But only 45 per cent said they would actually vote for him.

The implication, even allowing for the 29 per cent who refused to say who they would vote for, was that, whatever happens in the voting booth Mr Marcos will win. Certainly Mrs Aquino fears she is about to be denied a rightful victory.

Yesterday, she spoke of a darkening road to the Malacanang Presidential Palace, and warned of "sinister plans to cheat the people of their liberation." She has persistently urged her supporters to be vigilant and to "safeguard the ballot."

The Philippines' record of dirty elections stretches back long before Mr Marcos' time in power. But the need for what is called a "free, honest and orderly" election has probably never been greater than now. If the opposition decides it has been robbed of an Aquino victory, Mr Marcos could face serious trouble.

At home, there might be street violence, a boost for the Communist-inspired guerrilla insurgents and a setback for hopes of economic recovery. Abroad, the US, Mr Marcos's closest ally, would be obliged to subject him to even greater pressure.

Already it is questionable whether this election can be seen as a fair one. In the local jargon, Mr Marcos has the "guns, goons and gold." He is reckoned to be spending hundreds of millions of dollars for advertising, grass roots organisation, heavy rally attendances and apparent bribery.

**Mrs Corazon Aquino, in the last round of an increasingly emotional battle for the Philippines presidency, yesterday denounced President Ferdinand Marcos as a "plutocratic Filipino pharaoh" who had built a "pyramid of disgrace," writes Chris Sherwell. She promised a "yellow revolution" (yellow is the colour of her political campaign) in her first 100 days of office.**

**Speaking to a large audience of businessmen just four days before polling day, Mrs Aquino pledged to initiate constitutional changes and political reforms, including a liberalisation of the press and an overhaul of the judiciary.**

**She promised tax reforms, a break-up of powerful agricultural monopolies and more liberal strike laws. In foreign policy she pledged to consult the Filipino people over the renewal of the US military bases agreement, due in 1991.**

**Rarely if ever in Mr Marcos's autocratic 20-year rule has he been attacked so vitriolically.**

He has almost unlimited patronage and government largesse and can easily invoke presidential authority. Whereas he has instant access to nationwide television, radio and the press, Mrs Aquino has suffered "dirty tricks" which have prevented broadcasts going out on local radio stations.

Some of this imbalance has been redressed by volatile alternative newspapers and by revelations in the US Congress and press which, ironically, have caused Mr Marcos to speak of the dirtiest campaign he has known. Embarrassing details have surfaced about his failing health, his private wealth and, most seriously, his allegedly fraudulent claims as a war hero.

*Reinforcing the opposition's* sense of unfairness is its deep mistrust of the official Commission on Elections (Comelec). Mr Marcos finally filled two vacancies on the nine-member body last week, largely in response to US pressure. The majority is reckoned to be biased in his favour.

In a bid to ensure a clean poll, the widely respected National Citizens Movement for Free Elections (Namfrel) is to try to repeat its highly praised efforts during the May 1984 National Assembly elections, when it monitored polling and made an independent "quick count" which showed losses for Mr Marcos's party, the New Society Movement (KBL).

Though Namfrel aims to have volunteers in most of the 85,000 polling places across the country, it may not be able to do its job properly because of intimidation. Its representatives and opposition "watchers" are supposed to detect such unsavoury phenomena as phantom and flying voters, extra ballot papers, and stuffed *or snatched ballot boxes.*

They must also watch out for falsified returns or substitute tally sheets during the count and for box switching when the boxes are moved to city and provincial offices for "canvassing". Because of the threat of untimely power blackouts, they are told to bring candles, flashlights and lamps.

Foreign observers, including the official 20-member US delegation which arrives tomorrow, will be allowed no nearer than 150 ft from polling places, and may find themselves in no position to make reliable judgments about the poll. The US view will nevertheless be critical to Washington's future policy on the Philippines.

Namfrel officials calculate that, even with the worst fraud, not more than 15 per cent of the vote could be swung. That is why Mrs Aquino says she counts on a 70 per cent poll to prevent being cheated of victory.

Namfrel and Comelec have been arguing for days about a "quick count." But, however it is done, and even if there are two, the verdict will not be official. That must be done by the KBL-controlled National Assembly, and this can be convened up to 30 days from the poll. Even then, it has another 15 days to proclaim a winner, and 10 more can pass before any presidential oath is taken.

Challenges could hold matters up further.

If all this is a recipe for confusion and uncertainty, there is equally little doubt that the majority of the 25m voters in the Philippines have over the past two months heard genuine alternative views and now face a real choice. From what the candidates themselves have said, moreover, after Friday the country will never be the same again.

## Malaysia launches ambitious industrial plan

MALAYSIA yesterday launched an ambitious plan to shake up its fledgling industries and put them on a competitive footing with other developing nations, Reuter reports from Kuala Lumpur.

Mr Tengku Razaleigh Hamzah, Trade and Industry Minister, told a packed meeting of businessmen and reporters the 22-volume plan for 1986-95 provided "a general direction and perspective for industrial development in the short, medium and long term."

The plan forecasts real gross domestic product (GDP) to rise an average 6.4 per cent after inflation every year and calls for tax and other incentives to prod entrepreneurs into boosting competition and cutting costs through a blend of free markets and government planning.

Businessmen surveyed after the presentation welcomed the incentives and the blunt appraisal of domestic economic problems offered. But they cautioned against too much optimism.

Mr Datuk Musa Hitam, Deputy Prime Minister, told an economic forum in Switzerland this weekend that Malaysia's economy was growing by 4.8 per cent a year against a planned 7 per cent and that falling prices for oil, a key export, would cut targets further, slowing development and imports.

Malaysia's main exports of rubber, palm oil, timber, tin, oil and electronics are all suffering from low world prices. In addition, thousands of building workers sacked in its recession-hit neighbour Singapore are returning home.

South Korean industrial expert Mr Seongjae Yu, one of a team who spent over two years drawing up the plan, said it aimed to boost manufacturing, maximise efficient use of Malaysia's abundant natural resources and expand the economy.

It would also lay the foundation to "leap-frog" Malaysia towards advanced industrialisation, missing out intermediate stages of development.

The plan calls for industries to use more local resources like natural rubber, palm oil and tin—Malaysia is the world's biggest producer of all three—and to quadruple the number of technicians in industry by 1995 from 12,000 now.

## Iraqi air force hits Maltese tanker

A SUPERTANKER limped towards Iran's Sirri Island in the southern Gulf yesterday after being hit in an Iraqi air force missile attack, shipping sources told Reuter in Bahrain. The temporary loss from service of the 290,000 dwt Maltese-owned Torill, on an Iranian oil shuttle, follows strikes last month which disrupted oil movement from Iran's main Kharg Island terminal. A fire aboard the tanker was put out and there were no reports of injuries.

Iraq yesterday said its aircraft had flown 2,349 combat missions against Iranian troop concentrations on Gulf war fronts since the beginning of this year, anticipating an imminent Iranian ground offensive.

### Egypt aid cheer

A US State Department official said yesterday that the US probably will maintain military and economic aid to Egypt near current levels in spite of Congress-ordered cuts in foreign aid, AP reports from Cairo. Mr William Schneider was speaking after a hour's meeting with Egyptian President Hosni Mubarak.

### Jayewardene pledge

Sri Lankan President Junius Jayewardene yesterday vowed to end Tamil separatist violence, Reuter reports from Colombo. His message, to mark Independence Day, came as official sources reported that more than 100 Tamil separatist guerrillas were killed by security forces over the weekend.

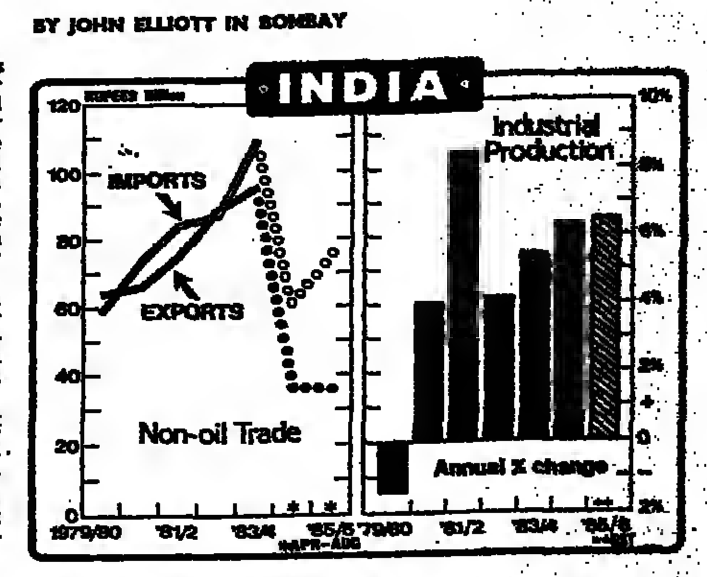
Mr Jayewardene said: "I promise to all the free-loving peaceful people of Sri Lanka that we shall, this year, overcome, destroy and eradicate terrorism in Sri Lanka in all its forms."

### Twenty die in Sudan

Twenty people were killed in clashes between rival political groups over the weekend in Port Sudan, according to Sudanese press dispatches, writes John Murray-Brown in Khartoum. Order was restored by the army after fighting broke out between Moslem and Christian groups

## India lifts fuel prices in bid to narrow trade gap

BY JOHN ELLIOTT IN BOMBAY




SUBSTANTIAL price rises averaging more than 10 per cent on petroleum and other oil products were introduced by the Indian Government at the weekend. The move is intended to curb imports of oil which rose by over 30 per cent in 1985, widening the country's trade gap and helping to cause a sharp fall in foreign currency reserves.

The price rises provoked a street demonstration in New Delhi yesterday by 2,000 members of a leading opposition party, the Bharatiya Janata Party.

*They included a 20 per cent* rise in the price of cylinders of cooking gas, a major consumer item, and were accompanied by increases of up to 10 per cent in the price of fertilisers aimed at cutting large government subsidies.

The increases came just a month before India's annual budget is presented to Parliament in four weeks' time against a background of poor trade figures in the first half of the current financial year and sluggish industrial growth, in spite of a marked increase in industrial investment plans.

Liberalised economic and industrial policies introduced by Mr Rajiv Gandhi, Prime Minister, will not be changed. But while these policies are expected to boost the economy in the future they have not yet had any significant impact on exports, the country's current priority area.

Imports excluding oil rose by 25 per cent to Rs 75.6bn (£4.4bn) and exports excluding oil declined by 1 per cent to Rs 36.2bn in the five months to last August. This pushed the trade deficit up by 76 per cent to Rs 39bn, according to the latest statistics published by the Ministry of Commerce.

The net import bill for oil and associated products rose from Rs 36bn to Rs 48bn last year, far exceeding government estimates.

"We are a little worried about the lack of buoyancy in exports but my view is we should not change policy suddenly," says Mr R. N. Malhotra, governor of the Reserve Bank of India in Bombay. "We have to look at the intensity of imports. There is good scope for import substitution on bulk goods, even in the short term."

The Government hopes that by March, when the financial year ends, the 25 per cent increase in imports excluding oil will have fallen to 15 per cent over 1984-85 and that the 1 per cent decline in exports will have turned into a growth of 13 per cent.

That would be below targets set last year but should reverse the decline in the country's financial reserves which fell from Rs 72.2bn last April to Rs 62.2bn on January 10.

Bulk items make up 58 per cent of the country's imports. Sugar and fertiliser imports increased sharply in the second half of last year when international prices were low. Now the Government intends that these imports should decline, along with edible oil and steel scrap.

Ministers want domestic demand to be met through anticipated higher production of sugar and mustard seed (used for edible oils) and through use of existing fertiliser stocks and domestic sources of steel.

Imports of oil and petroleum products are likely to continue increasing and the level of 70 per cent for self sufficiency in oil reached last year is expected to decline. Demand for oil is rising at 8.5 per cent compared with 5 per cent in recent years but domestic production this year is expected to be only 3 to 3.5 per cent above the 29m tonnes achieved last year.

The increased demand for oil will increase pressure on the balance of payments next year as the Government is preparing to start major debt repayments to the International Monetary Fund. Unless exports pick up significantly, reserves will be hit, but ministers are rejecting a forecast made in New Delhi this week by Business International, a US-based consultancy group, that India will probably have to go to the IMF for fresh borrowing early in 1988 or in 1990.

Industrial growth has not yet responded to the government's initiatives. It is expected to reach 6.5 per cent for the full year, marginally above last year's 6.3 per cent. Some sections of the engineering industry is complaining about sluggish demand, but this is mainly the result of rapid increases of as much as 35 per cent in production over the past year in some sectors such as the motor industry. Demand has not yet picked up to meet this sudden expansion.

However, substantial future growth is indicated by company investment plans in almost all industries.

Agriculture production is expected to grow by 3 to 4 per cent, with food grain production reaching 155m tonnes, about 9m tonnes above last year's total but lower than this year's target of 160m tonnes.

This is expected to lead to overall economic growth of 4.5 to 5 per cent which, with inflation rising at an annual rate of about 5 to 6 per cent is regarded by the government as satisfactory.

# AMERICAN NEWS

## Congress 'may cut' defence budget by $60bn

BY STEWART FLEMING IN WASHINGTON

THE INFLUENTIAL chairman of the House Armed services committee Rep Les Aspin, warned yesterday that Congress may have to cut $60bn to $90bn (£65bn) off the defence budget to meet the new federal budget deficit targets and accused the White House of having "no plan or policy on defence at all."

Striking a theme which seems likely to be echoed by House Democrats in this mid-term election year, Mr Aspin accused the Reagan Administration of irresponsibly endorsing the Gramm-Rudman budget reform Bill which could force the Government to accept automatic cuts in Government spending. "I think they played fast and loose with defence by playing politics with Gramm-Rudman," he said.

The attack on Administration defence policy comes on the eve of the release later this week of the President's 1987 budget proposal which is expected to proposed continued hefty increases in defence spending. Mr Aspin predicted that Congress would eventually only grant new defence budget authority of $280bn for 1987, not the $323bn the White House is expected to seek. This would be less than the $297.6bn approved initially for 1986, he said.

As is customary details of the budget proposal Mr Reagan will send to Congress began to leak out ahead of the formal publication of the budget documents on Wednesday.

The Washington Post reported yesterday that Mr Reagan will propose total government spending of $994bn for the 1987 fiscal year which begins in October. Receipts will be projected at $850.4bn leaving a deficit of $143.6bn, conveniently below the $144bn target set by the Gramm-Rudman law.

● US construction spending rose $9.8bn, or 2.8 per cent, in December to a seasonally adjusted annual rate of 354.6bn, Reuter reports from Washington.

## USW forgoes wage rise at troubled steelmaker

BY TERRY DODSWORTH IN NEW YORK

A NEW era of wage bargaining has started in the US steel industry with a decision by the United Steelworkers Union (USW) to grant concessions to LTV, one of the hardest-hit of the leading teel manufacturers.

The decision to forego wage increases due from February 1 gives a strong indication that the USW has decided to soft-pedal its demands on companies it believes to be in deep financial trouble. At the same time, the union's refusal of similar concessions to two other steelmakers suggests that it will take a different approach when the company is more profitable.

These preliminary skirmishes between the steel employers and the union come as the two sides embark on a system of decentralised bargaining in the industry for the first time since 1956. Last year, the steel companies decided to abandon the 30-year-old negotiating framework which had hammered out industry-wide wage and benefit agreements, giving virtually all the big producers the same wage costs.

The independent arrangements developed after crippling losses in the industry in the early 1980s.



## Canadian dollar falls to fresh low

By Bernard Simon in Toronto

**A SHARP increase in domestic interest rates has failed to prevent the Canadian dollar falling to a new low against the US dollar.**

**The Canadian unit fell below 70 US cents for the first time yesterday apparently in response to a further drop in oil prices and rumours that Middle East investors are starting to lighten their Canadian bond portfolios.**

**The Canadian currency stood at 69.72 US cents at mid-morning, compared to last Friday's close of 70.30 cents. Canada is a substantial producer of oil and gas, and exports to the US have risen markedly in the past year following deregulation of prices and other export controls.**

**The drop in the dollar has occurred despite a widening spread between Canadian and US short-term interest rates from less than two percentage points last November to almost 3.75 points, the largest gap in several years.**

**Canadian banks raised their prime lending rate by 0.5 per cent last week to 11.5 per cent, the third increase since the beginning of the year. The lower oil price is the latest in a series of setbacks for the Canadian dollar which, alone among major currencies, has weakened steadily since last autumn's efforts by the Group of Five to bring down the value of the US dollar. The Canadian currency averaged almost 74 US cents last August.**

**Weak commodity prices and concern over Canada's uncomfortably high budget deficit have contributed to the dollar's fall in recent months. The Federal Government's budget deficit is equal to almost 8 per cent of Gross National Product.**

**Mr Michael Wilson, Finance Minister, has given assurances that his budget, due to be presented in late February, will aim to reduce the deficit. But political pressures are expected to rule out substantial cuts in Government spending, raising the prospect of further tax increases. Mr Wilson is expected to announce the precise date of the Budget later this week.**

## Shuttle probe makes rapid headway

BY PAUL TAYLOR IN NEW YORK

NASA officials investigating last week's space shuttle disaster appear to have identified the primary cause, raising the possibility that the space shuttle programme may not be delayed as long as many observers originally feared.

By piecing together computer-enhanced video film, photographs and computer data covering Challenger's final 15 seconds on flight, Nasa has established a leak in one of the shuttle's two solid fuel boosters as the prime suspect for the explosion. Many key questions remain unanswered however.

For Nasa, the US-manned space flight programme and the Defence Department—which is heavily reliant on the space shuttle—the discovery represents a potential breakthrough in the investigation.

The apparent problems with the solid fuel boosters—149-foot long 12-foot diameter reusable rockets which provide 80 per cent of the power needed to propel the shuttle 27 miles into space—also raise a number of important questions for Nasa.

Essentially, Nasa must find out what led the right booster rocket to spring the fiery leak which apparently concentrated a blowtorch-like flame onto the Challenger's external fuel tank.

According to Dr William Graham, Nasa's acting chief administrator, speaking during a series of weekend television interviews, investigators are considering a variety of possibilities, including faulty seams, flawed casings and poorly-packed fuel. He added that two or more factors may have combined to produce the unusual plume.

The rocket body is composed of four sections held together with 170 one-inch steel pins placed two inches apart and high pressure steel band seals at each joint. The four sections are assembled at the Kennedy Space Center and then scanned by X-ray for any flaws or weaknesses.

Meanwhile, Florida Today, a local newspaper published in Cocoa, Florida, near Cape Canaveral, has reported that Challenger's left side booster rocket was damaged in an accident during assembly last November. The booster rocket section was subsequently replaced, but the newspaper says a Nasa report was critical of workers and equipment.

Nasa may also have to face questioning on why the solid fuel boosters were not equipped with sensors which might have given the crew and ground flight controllers some warning of the impending disaster.

The role of solid fuel boosters on manned space flights may also be raised. For decades, solid fuel rockets had been considered too dangerous to be used for manned space flight, in part because of their construction and the fact that once fired up they cannot be stopped.

## Arias wins Costa Rica election

BY DAVID GARDNER IN SAN JOSE

MR OSCAR ARIAS, a British-educated economist, on Sunday became the new President of Costa Rica, the only well-established democracy in civil war-ridden Central America.

Mr Arias, 45, a right-wing Social Democrat and former Planning Minister, won over 53 per cent of the vote for the ruling National Liberation Party (PLN) in a comfortable victory over his Christian Democrat opponent, Mr Rafael Calderon, of the Social Christian Unity Party, who polled just under 45 per cent.

This was a much wider margin than anticipated. Indeed, so close were the two parties that on Saturday they each put a $500,000 (£360,000) side bet on the outcome.

The campaign had been the hardest fought here for three decades, bringing to the fore the almost tribal nature of Costa Rican politics, but finally turning on the issue of the country's threatened tradition of neutrality in Central America's conflicts.

Both candidates support the strengthening of links with the US which have made Costa Rica an increasingly important ally in Washington's war of attrition against the left-wing Sandinistas in neighbouring Nicaragua. But Mr Calderon's more strident anti-Communism appears to have frightened off enough uncommitted voters, concerned that Costa Rica would be sucked into the conflict, to have given Mr Arias victory.

In his victory speech on Sunday night Mr Arias said: "We always claimed that the choice in this election was between rifles and bread; the people have chosen bread."

Under the PLN government of the past four years, Costa Rica has become a base for part of the US-financed Contra forces fighting to topple the Sandinistas.

On Sunday he warned the Contras, who have some 3,000 of their 15,000 irregular forces based here, that he would not allow them "to abuse Costa Rican hospitality, much less put at risk our sovereignty."

A senior official in the current PLN administration none the less argues that Mr Arias will almost certainly ignore the Contra presence here as long as it remains at its present level.

Arias: jubilant

## Cuban congress to streamline economy

BY ROBERT GRAHAM

*THE STREAMLINING* of Cuba's state controlled economy is expected to be the main topic when the third congress of the Cuban Communist Party begins today in Havana. State run companies are expected to be brought under tighter accounting procedures and a new *system of incentives introduced.*

The congress, due to last until the weekend, was originally to have been held in December. Its postponement has been interpreted by foreign observers as a means of allowing further time for the Cuban authorities to coordinate with the new economic policies being laid down by the Soviet leader Mr Mikhail Gorbachev.

Suggestions that the congress would approve a move away from the centrally-planned economy to a more "Hungarian style" model have been discounted by Cuban officials. *Instead it seems that Dr Fidel* Castro, the Cuban leader, has opted for the Gorbachev line of improved management and a drive for greater efficiency.

Cuba's economy, linked to that of the Soviet Union and Comecon, grew 4.8 per cent last year, according to latest figures. *This year growth is projected* to be slower at around 3 per cent with a tight squeeze on spending. Real growth is expected to be generated by a greater emphasis on exports, especially to non-Comecon countries.

In line with this economic shake up, the congress is *expected to endorse the intro*duction of younger and better qualified people into ministries and state organisations. The recent departure of several leading "historic" figures associated with the revolution like Commander Ramiro Valdes, Interior Minister, is seen as part of this process.

## Honduran army chief loses job

THE conservative wing of the Honduran armed forces has won a power struggle that has led to the departure of commander-in-chief General Walter Lopez Reyes, Robert Graham reports. Last week Gen Lopez Reyes announced his resignation, but withdrew it and then once more changed his mind and left the country—all in the space of four days.

The new President Jose Azcona was reportedly willing to back him, but Gen Lopez Reyes failed to swing the conservative military hierarchy behind him. They have resented for some time his independent line.

## Death toll mounts to 65 in Haiti

By Canute James in Port au Prince

LONGSTANDING differences within the Haitian security forces re-appeared yesterday over the handling of continuing anti-government protests.

The Haitian army has been reluctantly breaking up demonstrations by firing into the air and by baton charges, while the Volunteers for National Security, President Jean-Claude Duvalier's personal militia have been ruthlessly dealing with those they consider opponents of the Government.

Doctors reported that at least another five people were killed on Sunday night, bringing to more than 65 the number killed since the protests against the 28-year rule of the Duvalier family started in November.

The split in the security forces coincides with reports that Mr Duvalier had wanted to step down.

The President was apparently willing to step down on Friday and leave the country but was prevented from doing so by his wife Michele and his father-in-law Ernest Benet who are considered the powers behind the Duvalier throne.

Diplomats here said yesterday they thought the Volunteers for National Security were responsible for the deaths of more than 50 people believed to have been killed in Port au Prince the capital since Friday night.

The volunteers who are the successors to the dreaded "Tons Ton Macoute" established by Dr Francois Duvalier, the President's father who died in 1971, have decided to protect the Duvalier Government at all costs.

The army meanwhile has been receiving enthusiastic support in several towns where protests have continued over the past five days and where it is apparently regarded as an alternative government.

In the town of Saint Marc the army publicly disarmed volunteers to the delight of anti-government protesters.

It is still not precisely clear how many people have been killed in the sustained gunfire in the capital since Friday night. Official reports of 16 deaths are being treated with scepticism in the light of reports by doctors that up to Sunday evening over 50 people were known to have been brought in dead or died in hospitals.

# WORLD TRADE NEWS

## Rolls-Royce wins order for 200 more Tay engines

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has won a further order for 200 of its new Tay jet engines, worth $217m, from Gulfstream Aerospace Corporation of the US, for use in the Gulfstream IV executive jet airliner.

This brings total Tay orders for Gulfstream alone to 400 engines. Prototype engines have already been delivered, and delivery of production engines starts soon.

Gulfstream already has firm contracts for 80 of its twin-engined Gulfstream IV aircraft and is negotiating contracts for further orders, thereby accounting for all the initial batch of 200 Tays ordered some time ago and necessitating the further engine orders now placed.

In addition to Gulfstream, Fokker of the Netherlands has an outstanding firm order for over 100 Tay engines for its new Fokker F-100 twin-engined jet airliner, ordered so far by Swissair and KLM of the Netherlands.

Thus, the total order book for the Tay engine stands at over 500 units, worth in all more than $890m.

The Tay, a private venture developed by Rolls-Royce, is designed to produce about 13,550 lbs of thrust, which makes it suitable for powering smaller airliners or the larger type of executive jets.

It is thus ideally suited for the Gulfstream IV, itself a twin-engined aircraft designed to carry up to 19 passengers over distances of some 4,000 miles – that is non-stop across the North Atlantic.

It is also especially suitable for the Fokker F-100, the 100-passenger airliner now under development in the Netherlands as a replacement for the highly successful smaller F-28 Fellowship jet airliner.

The Tay is also considered suitable for re-engining existing One-Eleven jet airliners, which have been in service for many years but whose existing Spey engines are now too noisy for many air transport operations, while also less fuel-efficient than the modern Tay.

Currently, a plan put forward some time ago by Rombac, the Romanian aircraft manufacturer, to re-engine One-Eleven airliners which it builds under licence with the Tay is under consideration, but has not yet started.

The Tay has made good progress in its development programme and certification of the engine. This has cleared the way for passenger service operations, which are expected in midsummer.

In addition to being substantially more fuel-efficient than the ageing Spey engine, the Tay will also be substantially quieter, making it suitable for smaller neighbourhood airports.

Rolls-Royce is actively canvassing additional customers for the Tay and believes that before long further aircraft manufacturers will select the engine for small airliners and executive aircraft.

## Ericsson subsidiary wins $30m US orders

By David Brown in Stockholm

ERICSSON RADIO, the Texas-based subsidiary of the Swedish Ericsson Telecommunications and electronics group, has won three orders for turnkey cellular telephone systems from non-wire line buyers in the US worth a total of $30m (£21m).

The largest contract, valued at $20m, was awarded by the Houston Cellular Telephone Company. It will cover the entire Houston service area with a population of 3m which is estimated to be one of the 10 biggest cellular markets in the US.

This order was won in competition with Motorola, Ericsson said.

A $5m contract was awarded by Genesee Telephone Company of Rochester New York, in competition with AT and T for a turnkey system to cover a five-county area with a population of 1m.

A further order of the same value from the Honolulu Cellular Telephone Company will include 13 base stations to cover the island of Oahu, Hawaii. All three orders are to be delivered within two years.

Ericsson Radio's cellular system is based on the AXE 10 digital switching system, which has been sold to 64 countries.

## Drive to fashion clothing market in Japan

BY CARLA RAPOPORT IN TOKYO

IN A Tokyo hotel, Mr Abe Tibbett was selling duffel coats to the Japanese

The Japanese, it seems like duffel coats, a fact which has helped Tebbett, a small UK group based in Northamptonshire, boost exports to Japan from £100,000 to £250,000 in the past three years.

During the same period, sales of British textiles to Japan have also been picking up. Last year, sales of UK knitwear and clothing to Japan increased by 11 per cent ot Y12bn (£44.1m). In 1986, the industry aims to post a 15 per cent increase in sales, and double its sales by 1990.

"This is just a tiny drop in the ocean when you consider what the size could be," said Mr Peter Randle, director of British Knitting and Clothing Export Council in Tokyo last week.

Indeed, while garments' share of total exports from the UK to Japan have risen from 2.7 per cent to 3.1 per cent in the past few years, Britain's share of the overall Japanese garment market is statistically non-existent.

Improving on this position will require a pragmatic approach by the British garment industry. For despite recent highly publicised moves by the Japanese government to boost its imports, Japan is also targeting the fashion industry as one of its major industries of the future.

Plans are afoot to create a huge textile-fashion-design centre in central Tokyo when the municipal government offices are moved out from their current headquarters to another part of Tokyo.

"From the amount of money they (Japanese government officials) tell me they intend to spend, it seems they are very serious about making Tokyo the Paris of the Pacific Basin. It's hard to reconcile that policy with the alleged wish to correct Japan's trade imbalance," says Mr Randle.

For most of the companies anxious to sell garments to Japan, these moves mean that British manufacturers must continue to aim at short-run, high-fashion, high-quality sectors.

In order to escape the trap of high-quality, low-volume trade, Mr Randle says that British companies should move out of Tokyo and into the Japanese provinces.

"There is money out there. If we could get to provincial markets, we do have volume potential, even in high-quality, high-fashion goods."

But selling outside Tokyo presents several challenges, namely, the complex distribution system and its sale-or-return policy on manufactured garments. Sale-or-return means that the manufacturer or wholesaler must take back those garments which the stores do not sell.

These two factors could result in high fashion goods being priced out of the market. According to Mr Ronnie Garrett, sales director of Lyle and Scott, a brandwear company, whose cashmere sweaters which cost $195 in New York sells for more than $300 in Tokyo. "In New York we can sell directly to the retailer. In Tokyo, it's more complicated," says Mr Garrett.

The determined, however, insist that it can be done. "A lot of people think you have to sell on price in Japan. That's totally wrong. You have to sell on quality," says Mr Abe Tibbett.

The demand for British fashion merchandise is strong, he claims. Sales of UK fashion accessories, shawls and scarves, for example, jumped by 55 per cent last year to Y1bn.

**Japan, which had a record trade surplus with the US last year, is to step up a campaign to win understanding of Japanese trade policies in the US, Reuter reports from Tokyo.**

**A Foreign Ministry official said that, as part of a one-year campaign aimed at deepening mutual bilateral understanding, Japan would strengthen dialogue with US Congressmen by giving them more information about its market-opening and other measures to resolve the trade problem.**

## Eurosatellite steps up bid to share in British TV plans

EUROSATELLITE, the Franco-German-led satellite manufacturing group, is stepping up its bid to participate in British plans for setting up a service to beam TV programmes from space, David Marsh writes.

The company building the German and French direct broadcasting satellites TV-SAT-1 and TDF-1 which are due to be launched towards the end of this year, is becoming increasingly confident that it can provide solutions to break through the impasse over direct broadcasting by satellite (DBS) in the UK.

Mr Rolof Arnim, the Eurosatellite managing director is visiting Britain this week to discuss DBS strategies with the space division of the Marconi electronics company, with which Eurosatellite has long-standing links. He may also call on the Independent Broadcasting Authority (IBA).

Long-running British plans for DBS under the Unisat project were abandoned last June, when members of the consortium studying it, concluded that proposals were not economically viable.

The British Government, TV companies and the aerospace industry, however, are still considering the possibility of putting together a system to come into service towards the end of the 1980s.

Eurosatellite, set up in 1978, is owned 24 per cent each by Messerschmitt-Boelkow-Blohm, Aerospatiale and Alcatel-Thomson Espace with further stakes held by the German AEG and ANT companies and ETCA, the Belgian group.

The launches of TV-SAT-1 and TDF-1, due from the summer onwards and in November, have been postponed many times in the past few years and may still face setbacks because of the technical problems of the Ariane rocket.

But Eurosatellite believes that the imminence of the two launches, which will give Germany and France a world lead in DBS, has strengthened its hand in negotiations with the UK.

## Hungarians to exchange lathes for Yugoslav cars

BY LESLIE COLITT IN BERLIN

A HUNGARIAN machine-tool company has agreed an exchange deal involving 1,000 VW Golf cars assembled in Yugoslavia.

The unusual deal was arranged between SZIM machine tool company and Technoimpex foreign trade company of Hungary, and the Sarajevo mechanical engineering company, which assembles the Golf from West German components.

Mr Istvan Matyas, director general of Technoimpex of Budapest, said its Yugoslav partner was in the market for numerically-controlled lathes, but did not have the hard currency to buy the technology in the West.

SZIM was able to offer a lathe and the Yugoslavs agreed to pay with the Golf cars and other products.

Mr Matyas said the deal was worth $9m over five years, with the cars valued at about 40 per cent of the total.

Hungary plans to import about 125,000 cars a year to 1990 from Comecon producers, but this will not satisfy domestic demand.

The Raba company negotiated last year with Opel on a possible exchange of cars for Raba products but no agreement was concluded.

Ganz-Mavag wants to reach a similar co-operation arrangement with another Western car manufacturer. Hungary would also like to establish an assembly plant for Western cars, but only if it could pay for the plant with cars and components.

● Hungary's Ikarus bus company, one of the largest in Europe, is negotiating the sale of further articulated buses to Canadian cities, following Volvo's decision to stop marketing buses in North America.

It has sold 34 articulated buses to a local transport company in Ottawa, and hopes to sell 34 more when a team from the company goes to Canada.

## US airline orders three BAe-146 jets

By Michael Donne, Aerospace Correspondent

LAS VEGAS-based Aero West, operating as Royal West Airlines, has ordered three British Aerospace 146 four-engined Series 100 regional jet airliners, worth $50m (£35m). Further orders are expected for the improved Series 200 BAe-146.

Royal West will use the 91-seater 146s on routes into Las Vegas from California (Los Angeles, Burbank and Ontario), with further cities also planned subject to availability of take-off and landing "slots."

The airline will bring European-style "inclusive tour" fares to its operations, selling half the seats on every flight to tour operators for use in inclusive holiday deals.

Royal West will take delivery of its 146s during April and May.

● Taiwan will sign a contract with Boeing of the US in April to buy one Boeing 737-200 for delivery in September 1987, a spokesman for the Civil Aeronautics Administration said, Reuter reports from Taipei.

Taiwan is expecetd to order two Boeing 737-200s a year for the next six years to replace the 12-to-15-year-old Boeing fleet of the state-owned China Airlines and the Far Eastern Air Transport Corp.

## Japan groups in Pakistan assembly move

TWO JAPANESE groups and a United Arab Emirates (UAE) company have set up a joint venture involving the state-owned Pakistan Automobile Corp (Paco), Reuter reports from Karachi.

The venture, Hinopak Motors, involves Hino Motors and Toyoda Tsusho Kaisha of Japan, the Al-Futaim group of the UAE and Paco. Paco and Al-Futaim each held 40 per cent of the equity, Hino and TTK nine per cent jointly. The balance will be offered to the public.

Hinopak will assemble and later manufacture trucks and buses on Hino chassis.

Paco said that Hinopak Motors, with initial equity of Rs 100m (£6m) has the rights to export vehicles to some Middle Eastern and African countries.

It added that the initial project cost was Rs 250m rising to Rs 455m over eight years.

● Suzuki Motor of Japan plans to expand car production in Pakistan in co-operation with Paco, the daily newspaper Dawn of Karachi said yesterday, agencies report.

Negotiations for the new plant are said to be in a fairly advanced stage and should be completed by the end of this month.

## China puts back starting date for energy venture

BY ROBERT THOMSON IN PEKING

CONSTRUCTION of China's largest energy joint-venture, the Pingshuo open-cast coal mine in the northern province of Shanxi, is behind schedule. The mine is unlikely to be in operation until September next year, about a year later than expected.

Occidental Petroleum, originally expected to have about a half share, has a 25 per cent stake in the $650m (£42.8m) project. The Bank of China Trust and Consultancy Co., the China National Coal Development Corporation and the China International Trust and Investment Corporation make up the 75 per cent stake.

The mine has an estimated coal reserve of more than 450m metric tons within a contract area of 18.5 sq km, and is about 500 km south-west of Peking.

Annual production capacity is expected to be 15.33m metric tons, which is about 70 per cent of the present total output of open-cast mines in China.

The senior engineer of the China National Coal Development Corporation, Yu Yingzhou, said "equipment purchase contracts worth $200m have been signed with manufacturers from the US, Canada, Japan and West Germany, and 800 major items in all will be supplied by foreign countries." About 200 items had arrived by the end of last year.

# TECHNOLOGY

Elaine Williams on a carbohydrate-based product to deal with a common, and costly, disease down on the farm

## The key to a new treatment for cattle

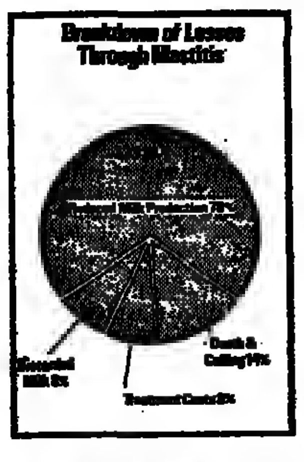
CARBOHYDRATES are the key to a new treatment for a common cow disease which costs farmers millions of pounds a year in lost production.

BioCarb, a small company based at Lund in southern Sweden, has pioneered the development of complex carbohydrates, found naturally in all animals. It has formed a joint project with Alfa Laval, one of the world's largest agricultural machinery and food processing companies.

They hope to market the product before the end of the decade initially for the treatment and early diagnosis of mastitis, a bacterial infection in cows' udders. However, there is potential for the treatment in a wide range of animal diseases.

Mastitis is a distressingly common disease with an incidence rate which varies from country to country. In California, for example, about 50 per cent of cows are infected, which costs the state about $80m (£58m) a year while the Netherlands loses Fl 100m (£26m) a year in lost production. Sweden has 25 per cent infection in its herds.

Today treatment is based on giving antibiotics, which is usually effective but the cow's milk has to be thrown away until all traces of the antibiotics has disappeared. This may mean an extra four to five days in lost production.



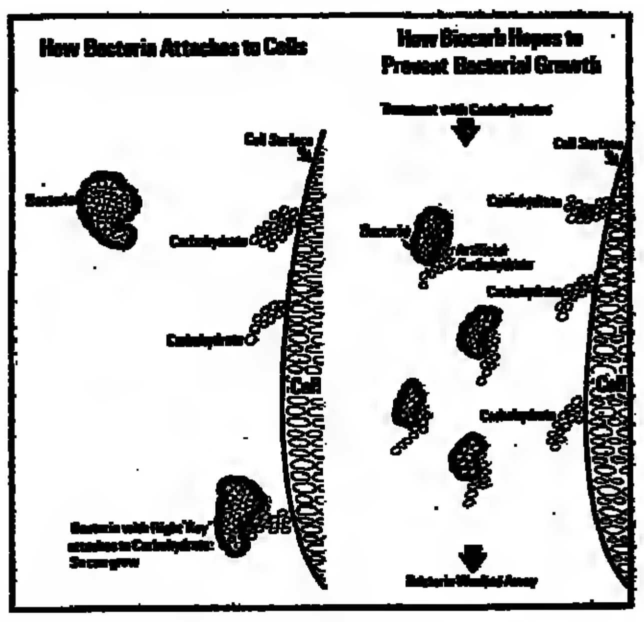

BioCarb's researchers found that complex carbohydrates, also found naturally in humans, could help to reduce the spread of bacterials diseases (see story, right) without the disadvantages of antibiotic treatments and it could be used as a simple early diagnostic test.

Mr Johannes Schnekel head of research at Alfa Laval's agricultural division, believes such products will form an important part of his company's business in a sector already worth $4bn worldwide. Alfa Laval first came into contact with BioCarb via its subsidiary, EWOS, and was impressed by BioCarb's expertise.

BioCarb is believed to be one of the first companies with commercial products based on carbohydrates. Research into carbohydrates is mainly carried out at universities in France, Japan, Canada and at Stockholm and Lund universities in Sweden.

Competition comes mainly from traditional pharmaceutical companies and the newer biotechnology companies which are developing monoclonal antibodies to treat the same diseases. On the same science park at Lund a new company called BioInvent, set up by university researchers, is developing a product to combat diarrhoea in piglets.

BioCarb was founded in 1983 by four scientists from three Swedish universities and financed by private venture capital from the financiers, Erik Penser and Anders Wall. So far it has spent SKr 20m (£2m) in developing its products.




The company is run by Per Sjoberg, managing director, who was head hunted from Astra, one of Sweden's largest pharmaceutical companies, while the university professors guide research and decide suitable projects while still working and teaching at their academic establishments.

Biocarb sees the way to growth by forming joint projects with other companies, not necessarily Swedish, which might be interested in products for their own markets. Apart from Alfa Laval it has agreements with Biotest, a medical diagnostic company in West Germany, and Carbi-Vitrum, Sweden's state-run pharmaceutical company.

Though BioCarb has an eye to making a profit by 1988, it does not forget the importance of giving something back to the universities which spawned the idea. It sets aside SKr 5m to give to university departments each year to ensure a continued crop of ideas.

## A sweet solution with a mission to fool bacteria

BIOCARB'S FORTE is in a relatively new area of biologically active carbohydrates which can be best thought of as complex sugars and are believed to play important roles in the workings of the human body and animals.

Carbohydrate strands are connected to many cells in the body such as blood cells and stomach cells.

Research shows that bacteria which enters the body attaches itself to the sugars so it can thrive and grow rather in the way that a parasitic plant such as ivy clings to a tree.

But the bacteria has to have the right key to fit the sugar's lock. That is why not every bacteria which enters the body can grow.

BioCarb's researchers are synthesising these sugars in the laboratory so that when given in soluble form they can fool the bacteria to cling to these free-floating sugars instead of the carbohydrates which belong to the cells. The bacteria can then be washed away and excreted.

The idea has been used to help prevent piglets developing diarrhoea—a common, and often fatal, pig illness. The company already has trials running in Sweden and has a joint project with Nygard, a Norwegian company.

### How it works

Another product close to commercial exploitation is a new method of blood grouping using carbohydrates. Per Sjoberg, managing director of BioCarb, said that a difference in blood types is in the carbohydrates which are attached to the cells. This test is likely to be cheaper and easier to use than conventional techniques.

He said that the theoretical applications of these complex sugars are wide ranging—from a wound healing to more sensitive diagnostics for bacteria, an X-ray contrasting technique for specific organs in the body, cancer diagnostics, fertility treatment, purification of biotechnology products and even as a method of reducing friction for boats. So far its SKr 10m turnover has come from selling material for research.



## Testing time for robot

RESEARCHERS at the UK Atomic Energy Authority's laboratories at Harwell, Oxfordshire, have linked a robot to a testing instrument to help engineers find the source of cracks in metal parts such as pressure vessels or the legs of oil rigs.

The Cincinnati Milacron robot carries an ultrasonic device which emits a stream of sound pulses, indicating the position of the cracks and other structural defects.

With software developed at Harwell, the robot can be instructed to move to a variety of positions over the object to be inspected.

## A facsimile double

THE number of facsimile transmission machines in Britain has almost doubled in the past year, says the British Facsimile Industry Consultative Committee.

A survey by the committee, which comprises representatives of the equipment manufacturers, found 20,000 machines were installed last year, bringing the UK total to 47,500. The committee says the figure will top 100,000 next year.

Virtually all the new installations are Group 3 facsimile machines, which work faster and give better representation than Group 1 and Group 2 machines. Group 3 machines made by one company can be linked to other companies' models using international standards.

Details from BFICC, 9 London Road, Newbury, Berkshire.

## Next instigate a kiss between George and Lorraine

Video & Film

By JOHN CHITTOCK

HI-FI equipment and video-cassette recorders have become as complicated to operate as high-performance sports cars. It would be a dishonest video expert indeed (including this one) who denied that the recording of a precious TV programme, pre-set on the VCR timer, had never been lost because of operator error.

Any VCR manufacturer seeking a clean sweep of the market for first-time buyers would be advised to recognise this problem. On another level, the designers are intentionally loading more responsibility on to the user and with justification.

The reason is the rapid growth of interest in interactive video systems, where the viewer can exercise control over the way the programme content is accessed.

Consumer video games are its most popular manifestation. The latest to land on my desk is one of a line now based on feature films — this one from Activision, using Steven Spielberg's *Back to the Future* idea, and warning me I must "instigate a kiss between George and Lorraine" to ensure my safe return in the game.

Much more seriously, however, are the inquiries I instigated 10 days ago that will have a number of building suppliers chasing around to find period doors and stained glass windows.

The investigation started at a viewdata terminal in Chancery Lane where a new service for architects and builders was being demonstrated to me. Under the name, Tradelink, it offers subscribers instant access to a well-indexed data base on building and architectural supplies.

Every purchase inquiry is not only answered on the monitor screen but is automatically "delivered" to the electronic mail boxes of subscriber-suppliers.

Additionally, Tradelink is using conventional mailing to circulate the print-out of inquiries to other possible suppliers.

Dedicated data services aimed at specialist users are proving to be the saviour of videotex, which has had a long haul, especially through the public telephone Prestel network. But in 1985 overall use of Prestel rose 44 per cent and travel agency use in August was up 750 per cent on the previous year. Prestel is now in profit for the first time and the technology has emerged as the preferred international system.

The real excitement in interactive systems, however, is coming from the video sector.

Many developments in this area are well-documented—such as the Lloyds Bank network of 1,500 players used for local training; the intriguing application of "surrogate travel"— which allows a viewer to use a joystick control to explore the geography of a location, changing the direction of travel on the screen at will; and the US project for in-car navigation using real pictures from a video disc instead of computer graphics, and controlled by continuous transmitter references from a geostationery satellite.

More mundane uses are no less important. A British Airways interactive video disc programme about aircraft ramp safety won praise at the Interactive Video Awards in London last November.

Specialised rather than trivial pursuits are characterising the trend. One company, *Financial i*, is providing training programmes for the City and has just released a series about the Eurobond market. Another, Interactive Information Systems, has developed training packages which come with the equipment on rental so that relatively small companies can afford this quite expensive medium.

Numerous specialist companies have been set up in the UK to respond to the demand—among the market leaders are Convergent, IMS, Futuremedia, VPS, Aspen, New Media Productions, Visual Data Systems and Epic. Well-established production companies such as World Wide Pictures, Moving Picture Company, Infovision and Blackrod are committed to the medium.

With this activity, and excellent pioneering work at London University's *audio-visual centre* and BBC Open University Productions, Britain is well in front in programme experience. It also has the National Interactive Video Centre in London, indispensable as a showcase, training ground and information centre. The Department of Trade and Industry, the Manpower Services Commission and other government agencies are also giving interactive video considerable support with money and projects.

There are problems, however. Interactive Video interfaces the moving picture, the computer and the viewer. This is a potentially confusing and at times incompatible mix. The computer programmers, through their unique, even esoteric, knowledge are at times at risk of suffocating the creative power of the moving picture producer, who is becoming more of an architect working to specification than a creative communicator with a blank canvas to fill.

The hardware manufacturers also are in danger of forgetting how complex their systems are becoming; systems which are intended to make communication easy. Like the domestic VCR and the home computer, their equipment tends to take the user's knowledge for granted.

This is a problem that needs to be tackled. When manufacturers cannot even agree on terminology to describe the function of controls, nor write instruction books which are cogent and lacking in ambiguity, they are revealing a huge marketing weakness. Typified by the gobbledegook they claim is simplifying the difficulty—"user friendly." Why don't they just say "easy to use?"



مكذا من الاجل

# Brother makes history with UK typewriters.

WHEN Brother Industries launched the first typewriter from its new Wrexham plant last August, it was an historic moment for British industry – the first time typewriters had been produced in this country for ten years.

This month the launch of its first Wrexham-produced range of commercial electronic typewriters is an even more significant milestone for Brother itself.

The three new models, the EM-501, 511 and 701, form the second of three ranges (domestic, compact and office) which will come on to the market this year, and signal the start of the Japanese group's determined drive to dominate typewriter sales in the UK and Europe.

The AX-10 was the first in its group and will be followed by the AX-20 and the AX-30 next month. Three compact typewriters and a further two EM models will be launched later in the year.

J. Cattini, General Manager, Brother Office Equipment Division.

"We aim to substantially increase our share of the market within the next 12 months" says Jim Cattini, general manager of Brother's Office Equipment Division.

The company plans to be producing a phenomenal 20,000 machines a month at its new plant in Wrexham, but Mr Cattini predicts that even this output is going to be overtaken by the demand throughout Europe.

"We sold more AX-10s in the UK and Europe in the first five months than even we predicted, and we could have sold even more," he says. "And that was a basic electronic domestic model – the new EM Series has a much bigger market potential."

It is a series of sophisticated hi-tech electronic machines designed for heavy multiple use in big companies, financial institutions and local authorities. All EM machines are built and tested to withstand a minimum of 80 million cycles of operation, which is more than enough to cope with the demands of even the busiest office.

It was the EM Series that was chosen to be the *official typewriter* at the Los Angeles Olympic Games, and 3,000 Brother machines took a pounding from 10,000 of the world's Press.

The economics of UK production will enable Brother to become price competitive with other leading European models, but the company is more concerned with creating the right reputation and building goodwill. Its traditional Japanese slogan is: "He who makes good products makes good friends."

Jim Cattini adds: "We have the capacity to produce even more machines than we are doing, but our production level is geared to guaranteeing quality. We aim to establish Brother as the leading brand and are emphasising design and reliability supported by a first-class dealer network for after sales service."

The western European electronic typewriter market is estimated to have been worth £1.5 billion last year and sales are currently growing at the rate of five per cent per annum. New product technology and fierce price wars have lowered the growth rate of revenue, but the potential of the market is still heady enough to attract more and more manufacturers.

The machines themselves have gone through a technological revolution in the last six years. Electric typewriters with 2,000 moving parts have been superseded by more efficient electronic models.

The boom in sales continues in spite of the growth of word processors and personal computers, largely because electronic typewriters are simpler to use, supply most office needs, and the more sophisticated models can perform most of the functions of word processors.

# Brother's dynamic growth in Europe.

BROTHER INDUSTRIES is now the second largest producer of typewriters in the world, making one in eight of all typewriters sold.

The group was started in Japan in the Thirties by the Yasui Brothers who manufactured domestic and industrial sewing machines. The "Brother" name is derived from their partnership which led to diversification into knitting machines in the 1950s and typewriters in 1961. Nowadays the range also includes microwave ovens, washing machines, machine tools, pianos, organs and office equipment.

Brother moved into the UK and Europe in 1959, producing sewing machines in Dublin for the British and West German markets.

Kazuaki Tazaki, managing director of Brother International Europe, was involved in the European market from the early days and recalls the first typewriters were more difficult to get established as customers were doubtful about the quality of the new machines.

The company countered this by ensuring good design and reliability, and backing it with efficient local after sales service. Brother now has 14 associated companies throughout Europe, and an office in each of the major cities. Total turnover last year was over $200 million.

K. Tazaki, Managing Director, Brother International (Europe) Limited.

Mr Tazaki says one of the major attractions of Britain and parts of Europe is the strong economic and political stability. There are more than 1000 people working for the organisation in Europe, over 450 of them in Britain at the Wrexham typewriter plant and the European sales and marketing headquarters in Manchester.

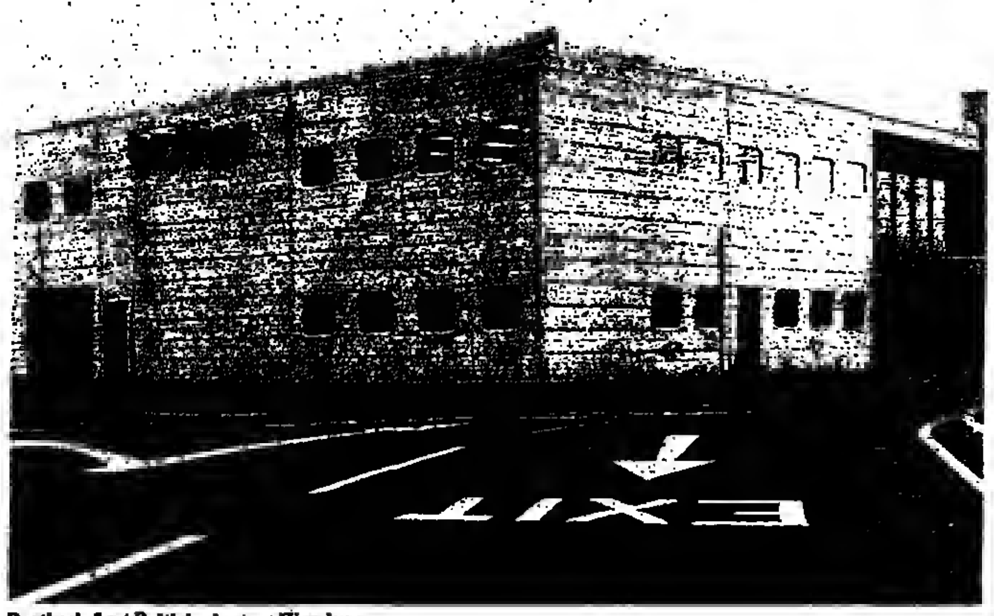
The latter is the hub of the European operation and is sited in Manchester because the company merged with its former UK customer, Jones Sewing Machines in Audenshaw.

This has developed into a plant with 203,000 sq ft, plus an additional purpose-built office block which houses a new research and product development department. The company has also opened a showroom on Euston Road, London, to display its range of typewriters and office equipment.

Both Wrexham and Manchester are autonomous and are expected to run profitably and develop without dependence on Japan. As the sales and marketing company, Audenshaw promotes and distributes the typewriters produced at Wrexham, but it is done on an independent commercial basis.

Says Tazaki, who has himself lived in Britain for over 20 years: "It is very important that we are regarded as a British group of companies able to make all the big business decisions independently. It is also important that Japanese staff integrate with local people or it will be difficult to carry out smooth business operations with proper understanding."

# Wrexham plant moves into full production.



Brother's first British plant, at Wrexham.

factories and was presented with a Brother "Picoword" Japanese language machine.

Brother has maintained the high standard set on day one. There are comprehensive personal and robotic checks and tests at every stage of production. The company is more interested in getting it right than breaking speed records and has set production volume at a level which will enable it to guarantee quality: "More might mean we wouldn't have the same control."

Though it is delighted with the quality achieved by its staff, Brother is still working on raising the calibre of the components supplied from outside British companies. Much managerial time goes into discussion with suppliers, sending work back, explaining what is required. Companies are gradually getting the message and realise it is in their interest to deliver the standard demanded because of Brother's future growth potential and its value as a source of expanding business.

By November Brother's new multi-million pound plant was finished and staff moved into their permanent 65,000 sq ft premises. Next month there will be three production lines running, building up to around 250,000 models a year, with staff increasing to 175, only 20 of whom will be in administration.

The building, described by one executive as "the space capsule," is light and airy and as far removed from the grimy, smoky image of a factory as the electronic products it produces are from those of the Industrial Revolution.

It includes a restaurant, not a canteen, which is used by staff and management. Mr Kato runs the plant from the middle of the factory floor as much as from his desk, and wears the same blue overall as his workforce.

The motivation techniques for staff and methods of production are all based on Japanese systems, but are not as rigid as those in many firms.

"We don't go in for morning exercises or daily addresses to the whole plant," says one manager. But there are regular group discussions. The company is determined to establish its British identity and is reducing the number of Japanese executives. Instead it is sending UK staff to Japan to be trained as supervisors and managers.

There is a lot of emphasis on communication at the plant and there are four interpreters to cope with the Welsh/English/Japanese language barrier.

"Actually it's not the staff discussions that are a problem," says an executive. "It's when management is planning strategy it can get complicated. English can be ambiguous and we have to be careful we mean the same thing."

# Blossoming in Wales...

AN IMAGINATIVE gesture by the Japanese Brother Industries group has ensured that in years to come North Wales will be as famous for its cherry trees as its Brother typewriters.

The company is planting 250 flowering cherries around its new factory on the 50-acre Technological Park at Wrexham. It is a uniquely Japanese concept which will complement the green beauty of the Welsh hills and create a spectacular environment for its 150 workforce.

It also signifies Brother's faith in the future of its British company, and its commitment to dominating the typewriter market of western Europe.

The decision to move into European typewriter production was taken long before the EEC tariffs were imposed on imports at the end of 1984. The company had decided it could not realise its potential in a fast growing market if it was dependent on bringing typewriters in from Japan.

And as managing director Mr Masao Kato points out: "We could not have set up so quickly if we hadn't already spent 18 months assessing EEC countries and their facilities. Wrexham was chosen because of its closeness to Brother's sales and marketing headquarters at Audenshaw, Manchester. The support given by the Welsh Industry organisations was extra encouragement, as was the fact that several Japanese firms have flourished in the area."

The group already has good reason to be pleased with its choice.

It set up immediately last March in Portakabins and trained local staff so well that the first machine, the AX-10, came off the line within four months.

More importantly, it got the British Standards certificate on the spot – an unusual achievement for a "first product." The safety certificate is hard to get in the early stages of production and acknowledges a well-managed plant and a high level of quality control.

Prince Hiroomiya of Japan was also impressed when he visited the temporary plant two days later. The Prince was completing his studies in the UK with a tour of local Japanese

# Teenage record breakers.

TEENAGE Welsh girls at the new Brother Industries Wrexham factory are challenging the Japanese experts with their record levels of production.

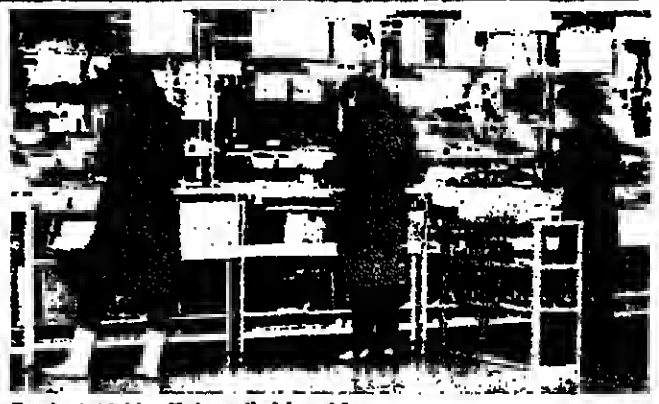
Currently, local girls aged from 16 to 19 are achieving the production level of their counterparts at the Brother headquarters at Nagoya, Japan.

Not even the Brother factories at Taiwan and Korea have managed such an impressive rate. The Wrexham girls are now turning out a machine at the rate of one every 58 seconds. Brother is immensely proud of the Wrexham team and says it proves what a British workforce can do when highly motivated.

Or as joint general manager Malcolm Newman puts it: "The kids are great. We hire girls because they have the manual dexterity and aptitude for fine assembly work. They are very keen and most of our recruitment now is by word of mouth."

Some of the secrets of success:

- Music is used instead of hooters or bells to mark tea and lunch breaks. It also marks the progress of work along the assembly line. It is speeded up only if the girls agree to lift production rates.
- Each group has its production target for the day displayed on a screen. Alongside, a counter ticks up each completed part so that they know from minute to minute how they are progressing.
- Competitions between groups stimulate quality assurance.
- From time to time the girls' roles are changed within the group to avoid boredom.



Brother's highly efficient all girl workforce.

# Let's make typewriters.

HOW did Brother, the pioneer in sewing and knitting machines, move into the typewriter business?

"It all got going from a manual Smith Corona," recalls Masami Hanazono, a director at Brother's headquarters in Nagoya, Japan.

"My chief, Masayoshi Yasui, brought it home from his second trip to the United States in the early 1950s. He almost dropped it on my desk and simply said – that is always the way it is with him – 'let's make typewriters.'"

Hanazono now finds it hard to believe, having been directly involved in the development of one office machine after another, that a single portable typewriter was the seed of so much of Brother's current business.

He and his colleagues had never even examined a typewriter closely before and they solved construction problems by making prototypes of their own. Their knitting machine experience was an advantage, but the toughest hurdle was the move into plastics which were needed to cover the keys.

After three years' research and development in producing speciality machines from a strong technological base, they completed their first typewriter in 1961 and began shipping abroad.


The new Brother EM Series. Vanguard of the first ever range of heavy duty office electronics to be built in Britain.

A series combining British craftsmanship with Japanese efficiency.

All Brother EMs are factory tested to an 80 million character capability. Whilst sophisticated design places them amongst the world's quietest electronics.

Their advanced specification includes exceptionally long lasting cassette ribbons and even adjustable keyboards.

And thanks to a perfectly precise daisy wheel, reproduction quality is superb.

Above all, a Brother EM electronic means you're investing in the future, by buying the best of British.

brother

The future at your fingertips.

DEPT. T, BROTHER OFFICE EQUIPMENT DIVISION, JONES + BROTHER, SHEPLEY STREET, AUDENSHAW, MANCHESTER M34 5JD. TEL: 061-330 6531
TELEX: 669092 TELECOM GOLD 84: JBT 003 BROTHER SHOWROOM: 83 EUSTON RD., LONDON NW1. BROTHER INDUSTRIES LIMITED, NAGOYA, JAPAN.

## Westland 'facing stalemate if Euro offer succeeds'

BY LIONEL BARBER

THE BOARD of Westland yesterday gave a warning to its shareholders that the ailing British helicopter maker faced "the spectre of stalemate" if its favoured Sikorsky/Fiat rescue plan was defeated at next Monday's extraordinary general meeting.

The warning came in a shareholders' circular published yesterday and aimed at countering the threat of the rival European aerospace consortium's tender offer for 21 per cent of Westland's equity.

The tender offer of 130p a share threatens to sink the rescue put forward by Sikorsky, the US helicopter maker, and Fiat of Italy, which requires a simple majority at the meeting on Monday. It is aimed at small shareholders who are likely to prove decisive in the vote.

Sir John Cuckney, Westland's chairman, said in the event of a defeat, the Europeans would have to submit their own plan to shareholders. The Westland board understood that the consortium and its advisers, Lloyds Merchant Bank, would not be able to vote the shares it controlled at such a meeting. "Once again the company would be facing the spectre of stalemate," said Sir John.

This point has apparently been conceded by the European camp, comprising British Aerospace, GEC, Aérospatiale of France, Agusta of Italy, and Messerschmitt-Bölkow-Blohm. However, it is their view that if the Sikorsky/Fiat rescue is defeated, the Westland board will be forced to resign and Sikorsky compelled to withdraw.

According to this view, the Europeans would then be able to step in with their own proposals, supported by Mr Alan Bristow, the former helicopter operator who controls around 17 per cent of the helicopter company. Sikorsky/Fiat supporters, notably Hanson Trust, the UK industrial holding company with 15 per cent of Westland, would then withdraw too.

This presumes that small shareholders accept the tender offer, which at 130p is above last night's closing price for Westland of 123p, down 7p on the day. Unless the tender secures at least 20.2 per cent of Westland shares, it lapses. Shareholders are therefore being advised to complete proxies irrespective of whether they accept the tender.

Sir John, while refraining from telling shareholders not to accept the tender, appealed to them yesterday to consider the long-term interests of the company rather than short-term cash gain.

## Redland in US land project

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

*REDLAND, the UK-based building* materials group, has formed a three-way partnership to develop 800 acres of land in San Antonio, Texas.

The residential and commercial development project is likely to take several years to complete and will be carried out on land originally earmarked for quarrying stone.

In January 1983 Redland paid \$70.4m for an 80 per cent stake in Boston Industries Corporation, since renamed Redland Worth. The UK group now owns 87.5 per cent of the US operation, which operates a large limestone quarry on the outskirts of San Antonio.

Redland said yesterday that to meet increasing demand and to expand capacity, a new crushing and processing plant was being built on land closer to the quarry face than the existing installation. The move, with some additional land purchases, meant that a large part of the site could be released for the development.

The project is likely to include a shopping mall as well as housing and office development. Infrastructure work, the first phase of which will be funded by local institutions, will start shortly. Land will be offered to a variety of developers and the partnership itself may become involved in some of the projects. Management of the project will be carried out by Tramell Crow, the US developer.

The partnership comprises Redland, USAA, a Texas-based insurance group, and Mr G. W. Worth, chief executive of Redland Worth. About 700 acres of land originally owned by Redland Worth has been transferred to the partnership shareholders on a pro rata basis, leaving 87.5 per cent with Redland and the balance with Mr Worth. USAA has purchased some adjacent land, taking the total availabla for development up to 800 acres.

The land held by the partnership has a value of \$60m, of which \$41m relates to the Redland holding. The UK materials group will sell land valued at \$23.2m to the partnership and will contribute the balance of its land interests as partnership. The cash raised by the immediate land sale, which will be paid in five equal instalments, will be used to reduce Redland's borrowings.

## OFT studies ruling by European Court on franchise terms

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE OFFICE of Fair Trading (OFT) is studying the implications for Britain's franchise industry of the European Court of Justice's first ruling last week on the legality of exclusive franchise contracts.

The OFT has for some years monitored the fast growth of the franchise movement in Britain, which now accounts for total UK sales of about £1.7bn.

It has been concerned that the imposition of certain terms and conditions, including exclusive territories and specific suppliers for franchisees, might be at odds with the UK's restrictive trade practices legislation.

The OFT confirmed yesterday that it would be looking at the European Court judgment to see whether any action was needed.

It is, however, likely to delay any amendments to UK competition law until after the European Commission has had a chance to consider the court's judgment. The commission is expected to draw up rules about the compatibility of franchise agreements within the EEC's competition policy legislation.

Such guidelines may take some time to emerge because it is understood that the commission has had little experience with the rapid growth of franchising throughout Europe.

The European Court's judgment was given in a case involving a West German franchisee and Pronuptia, the French company that franchises a wedding dress hire business throughout Europe.

The contract was challenged by the German franchisee on the ground that it violated EEC competition regulations.

That was the first time the court had ruled on a case involving a franchise contract and its findings were complex and appeared to pose more questions than they answered.

The court found that, while franchising of products sold through retail stores was not in itself in contravention of EEC competition laws, it was possible that some specific terms and conditions were.

The court ruled that the competition aspects of the Treaty of Rome applied to franchise agreements in member states.

Mr Martin Mendelsohn, a leading franchise consultant, said yesterday that the "court has not taken a catastrophic view of franchising but its ruling still leaves some potential minefields ahead." He suggested that the court's findings might eventually lead to the revision of many UK franchise contracts.

The threat of official investigation into the legality of franchise contracts has faced the UK industry for some years because of the rapid growth in popularity of franchising.

Many of the leading franchise companies are likely to welcome moves to ensure a firm legal base for franchising throughout Europe to help to develop franchise opportunities in other countries.

Young's Franchise Group holds the master licence in the UK for the development of Pronuptia outlets.



## Pledge on rail investment

By Kevin Brown

BRITISH RAIL's investment programme will not be cut to finance spending on projects related to the Channel tunnel, Mr Nicholas Ridley, the Transport Secretary, told the House of Commons yesterday.

Mr Ridley said the Government recognised that British Rail's external financing limits (EFLs) would have to be reised for the period 1991-93, when the maximum spending on tunnel-related projects would occur.

He said EFLs would be expanded sufficiently to cover all requirements for the fixed link. Other investment projects would not be curtailed.

He added, however, that total rail investment in the early 1990s, including tunnel-related spending, was expected to be lower than at present because of the nature of British Rail's investment plans.

Mr Ridley was criticised by Conservative MP Mr Jonathan Aitken, who said the Government had previously given the impression that it would be miserly with taxpayers' money. He said Mr Ridley now appeared willing to spend money on expanded EFLs.

Mr Ridley was pressed by Labour MPs for guarantees that tunnel-related investment would include projects to improve rail links with the north of England, and that contracts would go to British companies.

Mr Ridley said investment of up to £800m would flow from the tunnel project, much of which would go to railway workshops in the north. The region would also benefit from improved links with the European continent and lower transport costs.

He said it was for interested companies all over Britain, to make sure they won tunnel-related contracts when they were put out to tender. The Government's White *Paper (policy document)* on the fixed link is to be published today.

## Survey says prices no longer shoppers' priority

BY OUR CONSUMER AFFAIRS CORRESPONDENT

SUPERMARKET customers no longer regard price as the most important factor when choosing where to shop, according to a survey of consumer buying habits which suggests that convenience of store location is now the dominant factor in determining where people shop.

The survey, carried out by Harris International Marketing, has significant implications for the large supermarket multiples, which believe price competition still forms a large part of their marketing strategies.

However, the survey's findings add weight to the view in the grocery trade that a price war similar to the one started by Tesco in the late 1970s is unlikely in the next few years.

The survey, based on annual interviews with up to 100,000 shoppers, reveals that only 35 per cent of consumers rate price as the key determinant for choosing a supermarket.

In 1980 55 per cent of those surveyed gave price as the main reason for choosing a store.

Convenience of store location was valued by 37 per cent of the sample in 1980. The latest surveys show that 59 per cent regard this as the most important reason for choosing where to shop.

The findings are borne out by other surveys which Harris conducts for retailers and manufacturers. Across 1,000 brands in 49 different product categories researched, 73 per cent of consumers on average chose particular products because of quality, while only 26 per cent said price was the key factor.

Mr Brian Offen, a director of Harris, said yesterday that there were two main reasons for the lower price sensitivity among grocery shoppers.

"Families are spending proportionately less of their household budget on food as living standards rise, so price becomes less important to them," he said.

"Moreover, the continuing rise in the numbers of women at work means that many do not have the time for shopping around for the lowest prices and hence value convenience more."

Mr Offen warned the supermarket chains "to ignore these findings at their peril." Any supermarket chain which started a price war would be going against the clear trend among consumer preferences.

His views are echoed in a study of the grocery trade, carried out by the Verdict market research company, which believes that "aggressive price competition between the major companies is unlikely to begin for a number of years yet."

**How Important is Price?, published by Harris International Marketing, 320, Regent Street, London, W1, price £50.*

## Yuken Kogyo sets up valve assembly unit

BY NICK GARNETT

YUKEN KOGYO, the Japanese hydraulic equipment manufacturer, is setting up a small assembly operation at Speke, near Liverpool, to make oil hydraulic valves for the European market.

The business will be run by Yuken Kogyo UK, the company's distribution business, from its existing premises at Speke and is intended to produce 10,000 valves a year. The company said yesterday that it wanted to set up full manufacturing within a few years if sales growth warranted it. Both developments, would involve only a few jobs.

Yuken Kogyo, which claims to be Japan's largest specialist manufacturer of hydraulic machinery with total sales last year worth £84m, said the move was designed to prevent trade friction with European competitors in advance of expected growth of Japanese exports in hydraulic equipment.

The supply of a range of Japanese-made basic engineering materials is expected to become a significant political issue between Japan and Europe.

## Commodity conspiracy alleged

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CITY of London commodity company dealing in strategic metals was involved in a \$12m conspiracy to defraud unsuspecting investors in the US, the High Court was told yesterday.

Highfield Commodities, the principal directors of which are Mr David Whitfield and Mr David Harrison, was "conceived and operated as a simple conduit of fraud," said counsel for the Trade and Industry Secretary.

About 89.5 per cent of the money received from hundreds of investors was shared between Highfield and its US sales associates in the form of grossly extortionate fees, commissions and alleged expenses, said Mr Philip Heslop, QC.

The US associatrs, Highfield of America, of New Jersey, and Strategic Commodity Corporation, of Hollywood, California, had attracted a welter of litigation from investors and a variety of US enforcement agencies.

The Trade Secretary is seeking an order that Highfield Commodities be compulsorily wound-up by the court in the public interest.

Mr Heslop told Mr Justice Mervyn Davies that the company, which was not represented in court, did not consent to a winding-up order being made but did not oppose the petition.

The alleged fraud was said to have been carried on between about April 1981 and January 1984, when the Trade Secretary stepped in and the Official Receiver was appointed provisional liquidator of Highfield Commodities.

Mr Heslop said that Highfield's US associates used extremely undesirable "boiler-room tactics." They bombarded people with telephone calls to invest in strategic metals such as titanium, cobalt and nickel, connected with US defence requirements.

In almost no cases was metal actually bought and at the end of the investment period the conspirators engaged in wholly fictitious transactions purporting to show a sale of the investor's metal.

He said the scheme had been nipped in the bud by the Trade Secretary at a relatively early stage, but only after considerable amounts – averaging about \$5,000, but in one instance almost \$80,000 – had been obtained from investors.

Mr Heslop commented that it might not be accidental that the majority of the investors lived in Arizona, California, and other western US states, which meant that when they complained they experienced considerable difficulties in terms of jurisdiction and costs in trying to recover their investments or obtain compensation.

Although Highfield Commodities had tried to put the blame on its US associates, there was conclusive evidence that it had, from the outset, been an active participant in the conspiracy to defraud, Mr Heslop said.

The case is expected to end today.

## UK NEWS

# Disputes law favours Murdoch

BY DAVID BRINDLE AND DAVID THOMAS

MOST of the nine UK-based journalists on The Times who have so far refused to move to the new printing plant of Mr Rupert Murdoch's News International at Wapping, east London, yesterday presented themselves for work at the newspaper's abandoned offices.

A 10th journalist, who has a foreign posting in Singapore and is refusing to accept the move to Wapping in principle, made himself available to file stories to the deserted offices, in Gray's Inn Road, London.

The journalists' demonstration of their willingness to work under previously agreed conditions is one of the few legal advantages held by the unions in the Wapping dispute: should any of them ultimately claim unfair dismissal, they may be able to prove that agreements were not broken on their part.

In other respects, the legal dice are loaded heavily in favour of News International, which has moved all four of its national newspapers – the others being The Sunday Times, the Sun and the News of the World – to the Wapping plant where the traditional print unions are excluded. About 5,000 members of the National Graphical Association (NGA) and Sogat '82 have been dismissed after going on strike over the move.

The dispute shows how restrictive the law can be for unions entering disputes against employers who prepare the ground well.

The main legal points – setting aside the mounting pile of writs and injunctions secured by New International against the NGA and Sogat '82 and the Transport and General Workers' Union – are these:

● News International printers. The legal position of the Sogat '82 and NGA members who struck after a successful pre-strike ballot under the 1984 Trade Union Act is quite simple.

News International dismissed them for taking this action. Industrial action breaches a contract of employment and employers' right to dismiss for this pre-dates changes to trade union law made by the present Government.

Generally speaking, workers lose their claim to redundancy pay if they are dismissed for striking. Both sides seem to be assuming that this is the case with the striking printers at News International.

● The dissident journalists. Their position in law is much less clear than that of the printers, but scarcely more advantageous.

The key issue is whether News International was within its rights to tell its journalists to move to Wapping. If so, then those refusing to move are in effect engaging in industrial action – even though they may continue to report for duty at their former workplaces.

If not, then the company is changing their terms of employment to such an extent that it is in effect dismissing them – an action known as "constructive dismissal".

A plea of constructive dismissal would be supported if the journalists' employment contracts stipulated their old place of work. Few employment contracts are so specific.

Without such a stipulation, tribunals would on past precedent consider whether the employer had acted reasonably in making the change and whether the request itself was reasonable – whether, for instance, Wapping was unacceptably far away from Gray's Inn Road or News International's other works in Bouverie Street, off Fleet Street.

The dissidents believe they have a sound case in that their house (local) agreement with the company provided for due consultation before employment terms were changed.

● Secondary action. The 1980 Employment Act substantially narrowed the range of industrial action which is immune in the courts.

Most industrial action other than that by employees against their own company is now illegal. However, action against a direct supplier and customer of the company in dispute is still immune from court action.

On paper, it looks as though these provisions should cover what the unions are trying to do over Wapping. The strike by News International printers seems to be directed against their employer; and other attempts to spread the dispute, to TNT, the road haulage group distributing the newspapers, and to wholesalers, seem to be directed against suppliers and customers.

However, the High Court ruling in another print dispute in 1983 that Nottingham publishers T. Bailey Forman and TBF Printers were separate companies for the purposes of employment law has highlighted the ability of employers to get round this aspect of the legislation by setting up a series of subsidiary companies.

● Picketing. The 1980 Employment Act restricts lawful picketing to a person's place of work or, when dismissed in connection with a trade dispute, to their former place of work.

This means that striking printers could not lawfully picket main suppliers and customers, like TNT or wholesalers, even if it were lawful to draw them into the dispute. They would have to be picketed by their own workers.

This restriction, together with the ability of companies to set up subsidiaries to avoid lawful industrial action, means that the 1980 Employment Act is turning out to be much tougher in practice than many people foresaw when it was being passed.

### Michael Cassell on the moves that could signal a newspaper property boom

# Developers' sights on Fleet St.

THE MASS migration of publishing houses from the Fleet Street area is set to trigger a wave of commercial property development to the heart of London's newspaper land.

While most recent attention has centred on Mr Rupert Murdoch's campaign to break away from Fleet Street and its legendary labour relations problems and to re-establish News International's operations in London's docklands, several other big newspaper groups are already well advanced with plans to relocate.

Union management relationships apart, the combination of new technology and rising property values has encouraged publishers to press on with plans to relocate at least some of their activities away from their traditional Fleet Street base.

In post-war years, most modern office development has taken place close to the heart of the City, with comparatively little activity centred on Fleet Street, long considered to be a second-choice location for office employment. The continuing presence of extensive newspaper printing and editorial operations had given little room for significant new development.

But pressures on City accommodation have been growing and companies have shown themselves increasingly prepared to move from the City's inner core. As a result, rental levels in and around Fleet Street have risen sharply in recent years, with top rents now reaching £22 ($30) to £23 a sq ft (0.09 sq m) against top City rents of £35 a sq ft. Less than 10 years ago, rents around Fleet Street and nearby Holborn were generally under £10 a sq ft.

The big uplift in property values has made the retention of printing works – essentially factory floorspace – in high-value accommodation increasingly uneconomic and unrealistic. Modern printing techniques have, along with the need for reduced manpower, significantly cut floorspace requirements.

Publishers are, consequently, on the move to cheaper, more efficient premises, taking with them the promise of big once-and-for-all profits from the sale of properties left behind.

The controversial relocation of News International's operations, from Fleet Street – where it printed the Sun and News of the World – and Grays Inn Road, home of The Times and Sunday Times, could pave the way for a large office redevelopment scheme.

News International currently occupies extensive premises on the southern side of Fleet Street. Neither the company nor Weatherall Green & Smith, its retained surveyors, will say anything about plans for the property, although Mr Murdoch's pledge that his publishing operation would not return to its old building virtually ensure its ultimate redevelopment.

The freehold of the Fleet Street premises is understood to be owned by News International and, with planning permission, could be worth at least £15m.

At Grays Inn Road, the Sunday Times building is also owned freehold and could be sold on the investment market for up to £30m, while The Times building is held on a long lease from Electricity Supply Nominees and does not represent a particularly valuable property asset.

Another big development opportunity could arise next door to News International in Fleet Street. Associated Newspapers, publisher of the Daily Mail and Mail on Sunday, owns several properties between Fleet Street and the Embankment.

The group has announced its intention of moving its printing operations to Surrey Docks by 1988.

On the north side of Fleet Street, an extensive office project is scheduled for the Daily Telegraph and the Sunday Telegraph site. In early 1983, the Telegraph group announced that it intended to move, by 1987, to a £80m printing works on the Isle of Dogs in London's Docklands and in late 1984 it confirmed that the Fleet Street headquarters had been sold for an undisclosed sum.

The property is to be redeveloped by Rothsay Developments, a private property company.

It is understood that editorial offices will remain in the front section of the building. The project is to be financed by the South East Bank of Miami and it is believed that the Telegraph will retain a financial interest in the development.

Further north, a big question mark also hangs over the future of the Daily Mirror and the Sunday Mirror headquarters building at Holborn Circus. Mirror Group Newspapers (MGN) has announced its intention to cease printing its titles at Holborn in mid-1987 and has been looking at other sites, including some in Docklands

An MGN spokesman said no decision about a new printing site had been taken although Stamford Street now looked less likely. He declined to elaborate on the prospective use of the Holborn Circus complex.

Of the big Fleet Street printing houses, only Express Newspapers has failed to join its competitors in the mass move. The new owners have called for substantial job cuts but, for the time being at least, seem happy to leave the Daily Express and Sunday Express in their distinctive Fleet Street home.

# Britain seen when the pound was high and taxes low

BY ROBIN PAULEY

NOT ALL Victorian values were as worthy as some critics of today's "decadent" society would have one believe. While few in Britain would quibble if income tax returned to its 1884 level of 2p in the pound, it is doubtful whether many would support the employment of 90,000 boys and girls under 13 in the textile factories.

The UK's Central Statistical Office (CSO) celebrates its bicentenary this year and has published a facsimile of the Statistical Abstract of 1886 with the 1986 Abstract.

It gives a fascinating picture in figures of life in Victorian Britain as the Industrial Revolution gathered force in the years 1870 to 1885, when £1 would buy what £32 buys now.

Mr Nigel Lawson, Chancellor of the Exchequer, working on the details of next month's budget, might look to the 1886 Abstract for inspiration. Duty was a shilling (5p) a gallon on wine and just over 10 shillings a gallon on "rum, brandy, Geneva and Unenumerated spirits."

The population of Ireland, all of which was in the UK when the Victorian abstract was compiled, declined steadily after the potato famine of the 1840s and by 1885 was about 5m, similar to today's figure.

The population of England, Wales and Scotland, on the other hand, has doubled from 26m in 1871 to 55m now.

The number of paupers, excluding vagrants, declined steadily from over 1m in England and Wales in 1871 to about 800,000 in the 1880s, but it increased rapidly in Ireland. The CSO comments: "The category of pauper no longer exists."

In the 1880s Britain had a police force of only 39,000 compared with 134,000 in 1984. The Army has shrunk from 183,000 to 162,000 over the 100 years, but the political problems about the cost of defence remain.

While politicians now argue about the number of noughts on the and of the cost of the Falklands, Trident missiles and Nimrod aircraft, they were vexed that £300,000 had to be spent in 1885 on the relief of General Gordon in Khartoum.

Britain was a great trading nation in Victorian times but it imported £4 or £5 worth more of goods per head of population than it exported. Russia, France, Germany and the US were the main partners, but China, Turkey, Egypt and Brazil also had substantial import-export trade with Britain.

In 1885 ships tied up at Britain's great seaports to unload £371m worth of goods, including 1m eggs, 710,000 pounds of opium, 750,000 pounds of ornamental feathers, 720,000 tons of brimstone, 25m furs, 785,000 clocks

British exports were slightly less exotic although their destinations were not – Haiti and St Domingo, Cape of Good Hope and Natal, possessions on the River Gambia, possessions on the Gold Coast, Java and other Dutch possessions in the Indian Seas.

In 1885 the world bought from Britain 6,000 horses, 257,000 small firearms and 12.7m pounds of gunpowder. The textile industry boomed and Britain exported 46m yards of cloths and coatings in 1885.

A sizeable part of Britain's famed merchant fleet foundered every year. In 1884, 462 sailing ships and 153 steamships went down with the loss of 1,403 crew and 236 passengers. That was a relatively good year.

# UK NEWS

Max Wilkinson looks at nervousness in the oil markets

## A smile on the face of the tiger

IF OIL is getting so cheap, why is petrol still so expensive? As Opec ministers in Vienna continue to emphasise their disunity, pump prices in Europe have been little changed.

In Britain the question of whether oil companies are being unreasonably greedy is becoming a political issue. In the US, also, there have been rumblings of discontent at the slowness of gasoline prices to respond to the spectacular fall in crude oil prices during the last three months.

The point has been emphasised by the 26 per cent improvement in Exxon's fourth-quarter profits announced last week. That partly reflected the sharp improvement in refinery margins in Europe, where the decline of the dollar has been cutting the cost of oil in local currencies since last spring.

Now, crude oil is also falling in dollar terms, having decreased in value by about 30 per cent in the last two months. In sterling terms the price of crude has almost halved since last spring, but pump prices are only about 8 per cent below their absolute peak of £2.04 reached in April last year.

The present average price of four star petrol is 188p (although it can be bought for less in some places). That is scarcely changed from the levels of last autumn when the spot price of crude was more than $30 a barrel compared with about $17 now for Brent crude for March delivery.

Because crude oil is priced in dollars but petrol and diesel fuel are sold in local currencies, refiners throughout Europe have achieved a very large improvement in their margins. The recent fall in the dollar price of crude has also been a boon to hard pressed US refiners.

In spite of this dramatic lowering of refiners' input costs and the recent availability of cheap cargoes of petrol on the European spot market, there has been no sign as yet of a repeat of the petrol price wars of recent years. That might partly reflect the fact that the damage that lower oil prices might do to oil companies' production revenues can be offset to a considerable extent by improved margins on downstream (refining) activities. Although petrol and diesel oil represent only 30 per cent of the refined products of a barrel of oil, they are now contributing a good slice of total profits.

As Mr Paul Spedding, oil analyst for the London broker Grieveson Grant, remarked: "It seems as if there is a more effective cartel in the petrol market than Opec has been able to maintain."

The oil industry, not surprisingly, denies even the possibility of pricing agreements. However, executives from several companies do say that the smaller independent companies have "learned the lesson" from previous price wars that "nobody gains in the end."

On the other hand, there is a general recognition in the industry that margins have now recovered to very respectable levels so that there is considerable scope for price cutting – provided the international oil price does not bounce back and, which is more uncertain, that sterling does not collapse.

However, any guess at the scope for future price reduction must first take account of the effect of the high proportion of the pump price taken by tax, and the strong temptation for any Chancellor of the Exchequer to grab an increased share if prices start to ease.

Out of a pump price of £1.89 a gallon for four star, excise duty accounts for 81.4p, and value-added tax for a further 25.5p. So a 10 per cent cut in the refiners' and retailers' part of the price would yield only a 5% per cent reduction for the consumer.

More important, the prices of petrol and diesel have to be considered against the background of a series of changes in the industry over the past few years.

The first change which refiners point to is the reduction of lead in petrol, from this month down from 4 grammes a litre of four star to 0.15 gramme. That has required considerable investment and adds about 3p to the cost of a gallon of petrol.

Against this the industry has achieved considerable savings over the past five years. Refining capacity has been reduced substantially, although there is still about 20 to 30 per cent of excess capacity in Europe.

At the same time, there has been big investment in and rationalisation of petrol stations. In the UK the total number of sites has been reduced from about 40,000 10 years ago to about 22,000 now. The closing of many of the old, smaller filling stations has dramatically reduced the distribution costs for oil companies.

Tankers now deliver much larger quantities of fuel to fewer sites, which are easier to get to – particularly those on motorways. As a result depots have been closed and the productivity of tanker drivers, measured in terms of fuel delivered, has been improving by more than 10 per cent a year for some of the major oil companies.

At the same time, new technology – for example in the electronic metering of tanker loads – has tightened security as well as improving efficiency. All that has required substantial investment, with the cost of refurbishing a large petrol station coming out at about £500,000. But for the larger operators there have been gains beyond those of increased efficiency.

Larger, brighter self-service stations have forced motorists to get out of their cars and then encouraged them to spend extra money in the service station shops. Some retailers now make a significant part of their total profits out of the shops and this all helps to improve margins.

The motorist and truck driver is also getting what one oil man described as "an overall attractive package" when he stops to fill up. The evidence is that consumers are prepared to pay for this marketing effort.

The more obvious marketing ploys, such as give-away glasses and petrol station bingo competitions have added about 2p to the price of a gallon. At the same time the economies of scale in large petrol stations and huge promotions have tended to reduce the opportunities for smaller independent companies to come in with aggressive price cutting strategies.

The present nervousness in the oil market and the major uncertainties about foreign exchange rates leave little room for complacency among the oil companies; but for the moment at least, there is, dare one say, a smile on the face of the tiger.

## Taxi drivers lift boycott at Heathrow

FINANCIAL TIMES REPORTER

THE EIGHT-WEEK taxi shortage at London's Heathrow Airport ended yesterday when cabbies lifted their boycott. The action came as the British Airports Authority (BAA) suspended its 50p levy on taxis using the feeder park, where drivers wait for a summons to the main terminals' ranks.

Full service is expected to be restored this morning.

The BAA and the Licensed Taxi Drivers Association have agreed to accept the findings of a judicial review on the legality of the 50p charge, due to be heard on February 17.

A drivers' delegation will tomorrow ask Mr David Mitchell, Minister of State for Transport, to allow them to pass on the charge to passengers if it is reimposed.

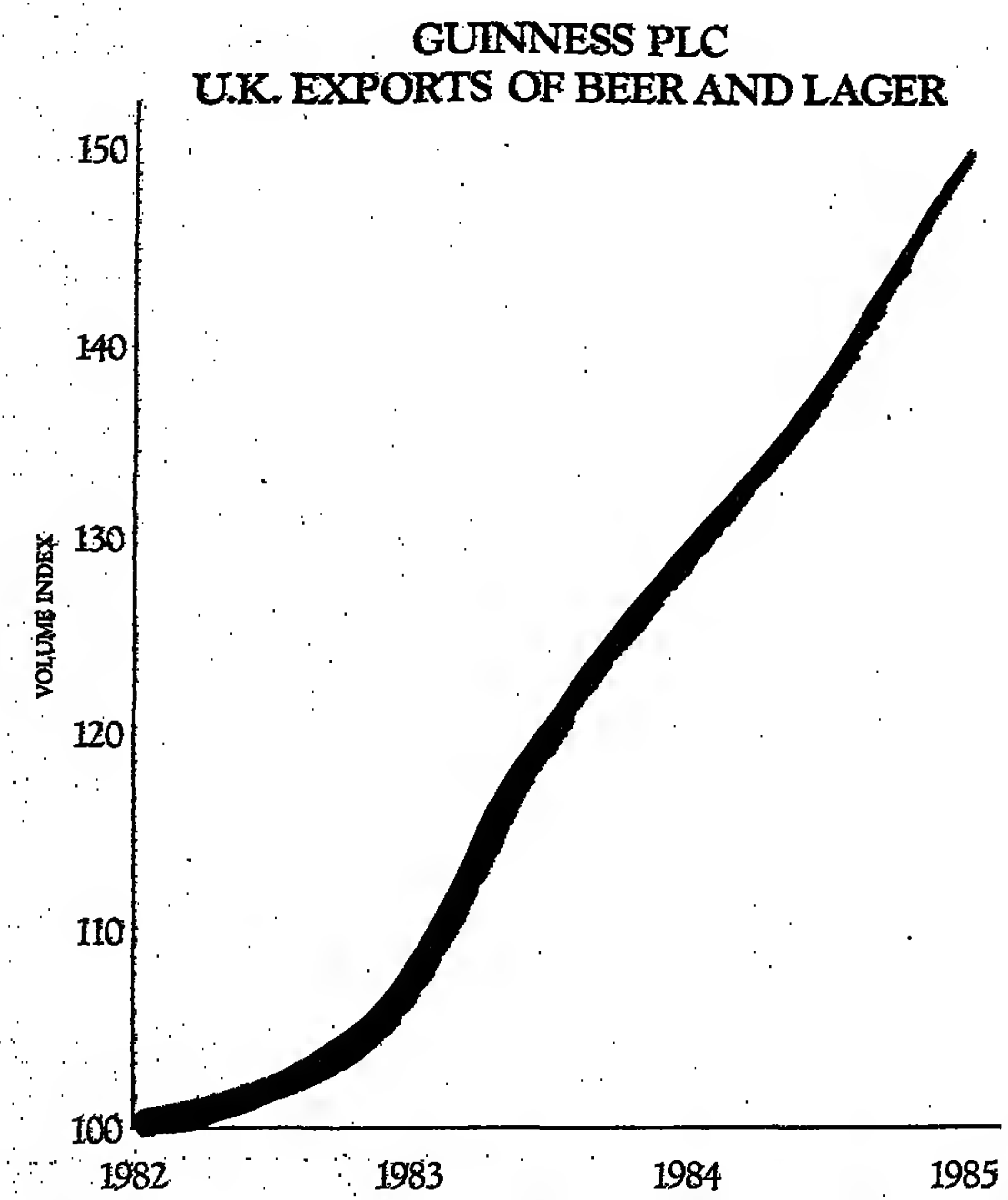
When the issue was raised in the House of Commons last December, Mr Mitchell said there might be a case for reducing fares to central London to reduce "excess profitability."

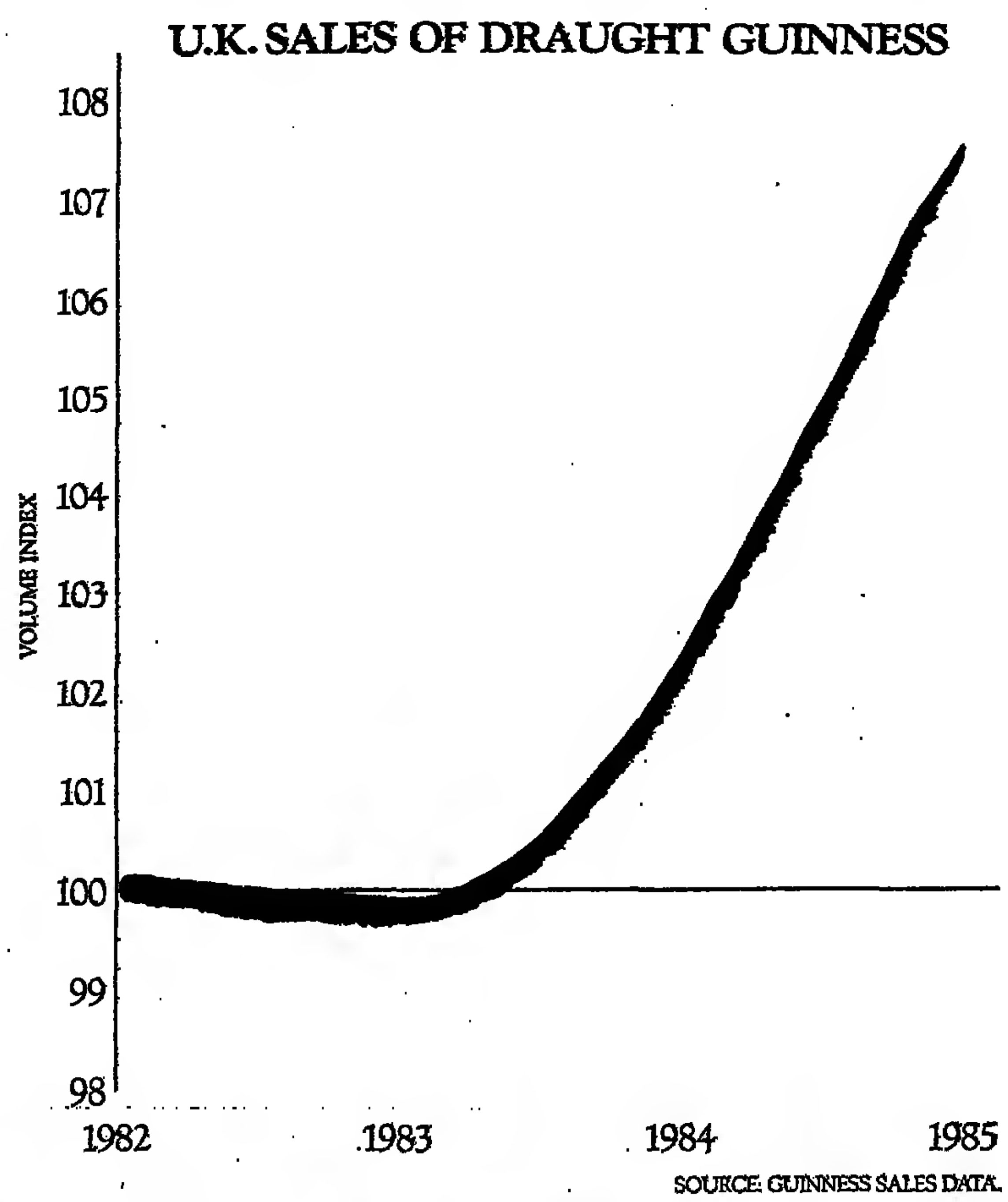
The average fare from Heathrow to Hyde Park Corner in central London is about £15. Taxis handle about 20 per cent of the passengers using the airport.

The feeder park's normal traffic of 3,500 taxis a day had been reduced to 350 at most during the boycott, the drivers' association said yesterday.

Demand for cabs at peak times can reach 350 every half an hour.

The BAA said the feeder park, the drivers' canteen, toilets and administration cost it £600,000 a year. The levy would raise £500,000 towards costs.




# TWO MORE STROKES OF GENIUS.

Guinness is on the up and up. At home, and abroad. With Distillers we'll have the scope to grow even more. More sales mean more jobs. And my goodness, that must be good for Britain.

## GUINNESS PLC

Guinness and Distillers. A stroke of genius.

# THE ARTS

## Galleries/William Packer

# Beauty and the beasts

Dhruva Mistry is a young Indian artist who came to Britain in 1981 on a British Council scholarship to the Royal College of Art. Now nearing 30, he is one of the most intriguing, talented and idiosyncratic sculptors of his generation. He was artist-in-residence at Churchill College, Cambridge, last year and his work has appeared in several important mixed exhibitions, including the Peter Moores Project 7 and the last Hayward Annual.

The Kettle's Yard Gallery, which was a party to the Cambridge residency, has put together his first one-man show which has been on tour and lately arrived at the Arnolfini Gallery in Bristol, its penultimate stop (until February 16: then on to the Walker Art Gallery, Liverpool).

Mistry intends to return to India soon. During the time he has been in Britain the Indian culture and visual inheritance which formed his sensibility has remained a principal source and reference for his work. Indeed it has if anything gained in potency — a nice inversion of his interest in Western art which was such an influence before he came to Europe. These oppositions between East and West, and between traditional example and modern practice and preoccupation, though they may not always find obvious expression in the sculpture, are there in all he does.

The drawings in this exhibition make the point most strongly, for they set up Mistry's characteristic beasts and figures in ambiguous allegorical relationships not yet attempted in the sculptures. They draw upon Hindu myth and symbol yet they are unspecific and oddly pantheistic, quite as much the creatures of ancient Mediterranean and modern European alike, as of oriental imaginations. The naked woman, eternal Eve, tempts the androgynous, wistful sphinx in the wilderness: here are nymph and satyr, beauty and the beast, the artist's model and the taunted artist-minotaur of Picasso's drawings and engravings.

The sculptures, however, remain more extraordinary and fascinating. Substantial, assertive and positively hieratic in their physical presence, all are informed by the idea of the Guardian Figure, the presiding or tutelary deity of temple or household, at once protective, mysterious and dangerous, familiar and taboo. What names he gives them he does not say, but only gives the punning *Reguarding Guardians* for his sequence of sphinx-like creatures, and the barely descriptive *Little Bird* for a surreal and charmingly disturbing beast with bald female head. Even the naked reclining *Woman*, alert, bald and staring as she rests on her elbow with palm outstretched for alms and offerings, is more the proud ambiguous priestess than the female form observed. They all stare with a wide, fixed gaze, as though to outface the observer with quiet challenge. All are beautifully modelled and made, completely realised as image, carried through to an absolute formal finish, painted in hot Indian reds and blues and selectively gilded.

The fantastic beast, part man part monster, is the creature of a universal imagination, fired by primitive religious need, and is the stuff of all mythologies — centaur, mermaid, minotaur, sphinx. But whereas to the Greek mind the gods would choose to take on animal forms for a particular purpose, to the Hindu as to the ancient Egyptian such fearsome hybrids were not mere monsters and magical beings but the gods themselves. It is no chance interest which draws Mistry repeatedly to the religious sculpture of the pharaohs. Perhaps it is by just this ancient authority, laid so deep at the roots of European culture, that he also touches upon an unexpectedly live atavistic nerve in our response.

*

The upper galleries of the Arnolfini are occupied by an exhibition of German expressionist prints that has been organised by the Institute of Foreign Cultural Relations in Stuttgart and brought by the Goethe Institute in London (also until February 16). It hardly breaks new ground, for the study of German expressionism in the period taken by this exhibition, the 1900s to the 1920s, was well advanced even before the remarkable resurgence of interest in it of recent years. But that is no reason to pass up the chance to see some of the work again and, in this collection of powerful, particular and exquisite works of art, to see them quite free for once of critical exposition.

*All the principal masters of the movement are represented.* About 120 prints are shown by the artists of *Die Brücke*, of *Der Blaue Reiter*, and those independent of any grouping, 16 artists in all. The work includes many etchings and lithographs, but here woodcuts, the favoured print-medium of so many expressionists — simple, direct and steeped in tradition — are what strike the eye most forcibly.

For all the manifest quality of the works of Grosz, Dix and Klee, the wonderful run of etchings by Max Beckmann and Kokoschka's freely drawn and powerful lithographic portrait studies, Erich Heckel, Schmidt-Rottluff and Kirchner command the show by the sheer physical presence of their images. Heckel's heads and nudes and a large cut of a slim girl standing in a doorway by Kirchner are especially memorable, and Schmidt-Rottluff's insistent primitivism, in a run of mask-like heads and figures, makes the simplest and more forceful visual impact.

But in this wonderfully rich offering, including even the single simple woman's head by Beckmann, who is my especial modern hero, the best and most remarkable of all the woodcuts are two by Emil Nelde, tucked rather into a corner, that are at once subtle, lively and magisterial—two girls dancing wildly in the flickering candlelight; and the simplest of statements of the female face, a young blond in extreme chiaroscuro.

The second figure in Dhruva Mistry's "Reguarding Guardian" sequence of sculptures

## Hickox/Barbican Hall

**Richard Fairman**

There are few works that demand from their interpreters such devotion as Elgar's *Dream of Gerontius*. "What's a saint?" the devils' chorus asks. To which a lover of the work might well reply, "Any conductor—a Boult or a Barbirolli—who can bring to this work a properly unforced sense of dignity and inner feeling," the qualities that distinguish this oratorio as one of the most personal statements in Elgar's output.

On the evidence of Saturday evening there is no need to start dusting down another halo yet. Richard Hickox's performance with the London Symphony Orchestra and Chorus had a number of good things to commend it, but a natural grasp of Elgar's idiom was not one of them. Tempi were on the extreme side, notably too fast in the devils' chorus; and there was an unwelcome tendency to pull back at important moments of the score and hammer them home.

The visionary solo "Sanctus fortis" ended with a heavy display of trombones—not a good idea, especially on a night when the LSO's brass department was indulging in a variety of vulgar noises. But if the orchestra sounded less than happy, the chorus, at least, worked well under Hickox's direction. Here we had evidence of much detailed work during rehearsals and real sensitivity in performance, though the dry acoustics of the Barbican were unhelpful in laying bare a few over-eager voices.

As Gerontius, Arthur Davies sang with the youthful tone and sureness of technique that we know from his recent successes at the Coliseum. The fearless way that he launched into the notorious phrase "Take me away," an unfortunate sentiment for many other tenors, was something I have not heard equalled. But as yet he makes little of the text: however sententious the words of Cardinal Newman may be, the right interpreter can still use them with care and attention to build a powerful, moving effect.

A lesson in how to achieve just that was taking place meanwhile on his left. John Shirley-Quirk may no longer have his old tonal resonance, but he knows how to make English words tell and the baritone solos came across with vivid power. Although the mezzo Felicity Palmer did not efface memories of her most distinguished predecessors, she also projected a detailed understanding of her role. In the final ensemble "Softly and gently" she and Hickox at last teamed up in a mood of understated, angelic calm.

## Beckett trilogy/Riverside Studios

**Michael Coveney**

Billie Whitelaw is the preferred dramatic voice of Samuel Beckett these days, just as Patrick Magee and Jack MacGowran — among English-speaking interpreters — were the ideal agents for the writer's more Celtic and torrential periods. At Riverside, Miss Whitelaw is packing in young and fascinated audiences for a triple bill of *Enough* (a short prose work of the mid-1960s) and two pieces written especially for her, *Footfalls* (seen at the Royal Court in the mid 1970s) and *Rockaby* (National Theatre, 1982).

*Enough* is an odd and plangent tale of sexual devotion to a decrepit lover. It combines qualities of yearning and conciseness to an extraordinary degree. Miss Whitelaw, disconcertingly, has only half-learnt it, prefacing her reading with a woolly tribute to the director Alan Schneider (killed in London in a road accident) and a woolier apology for the bright blue folder — the brightest spot of the whole evening we are assured.

Gloominess descends irrevocably in *Footfalls*. Pacing to and fro (nine steps exactly in each direction) in an illuminated rectangle, May fends off the cries and complaints of her ailing offstage mother. Fragments of remembered childhood, her mother's life, better furnishings, obsess this tattered and bedraggled May, a husk-like hag who is herself much older than her 40 years.

Minimalism is even further on the wane in *Rockaby* in which an old woman in a black dress covered in jet sequins rocks herself to oblivion while listening to her own recorded voice. She is a slim-line Krapp, an entirely submerged Winnie, a rhythmic art object of no vitality, a gaunt and bizarre relic. Miss Whitelaw's incantatory delivery in *Footfalls* is softened and lulled as life ebbs away, "time she stopped" a recurring phrase that assumes a double meaning of packing up and challenging the tides. The phrases glisten and glint —"Shall I inject you again?" conveying an age of subservience in *Footfalls*, the explosive "fuck life" the whole Beckettian creed in *Rockaby*. One yearns for, well, more yearning.

*

An even better reason for visiting Riverside this month is the modest but totally absorbing and enjoyable exhibition *Caspar Neher, Brecht's Designer*. The sketches and paintings, full of colour and elegance, reveal Neher to be an artist of accomplishment and finesse. They also underline what sins have been committed in the name of Brechtian theatre — Neher's costumes and properties were always well considered, often beautiful. Dullness was forbidden.

The exhibition, organised by the Arts Council and blessed with an incomparably authoritative catalogue by John Willett (Methuen, £4.95) is at Riverside until February 16 before moving on to the Cornerhouse, Manchester (February 26-April 6), the Graves Art Gallery Sheffield (April 12-May 18) and the City Museum and Art Gallery, Plymouth (May 31-July 5).

## Music Projects/Almeida

**David Murray**

In the "New Images of Sound" series, Richard Bernas's Music Projects/London ensemble appeared at the Almeida on Sunday with music that proceeded appealingly in no particular direction. Plainly the idea that a piece of any size ought to move purposefully towards some definite goal, and arrive there unmistakeably, strikes many modern composers as unnecessary maxim. Doing without it does, of course, put a premium upon devices for keeping your audience's attention moment by moment (like the fine detail in a shaggy-dog story). The four pieces in this concert illustrated a fair range of such devices.

The oldest of the pieces heard was Giacinto Scelsi's *Kya*, in which an energetic, ethnic-flavoured clarinet rhapsodises over three movements, supported by long, shifting drones from the ensemble. Even in the first movement, which fixes an unambiguous tonic as base, Scelsi's drones carry a considerable dramatic charge (thanks to overlaps and inner pulses), and as the piece continues they begin to shift microtonally, as if a powerful current were heaving between peaks and troughs. Roger Heaton's clarinet was acrobatic and svelte, almost too urbane—a rougher attack might add pungency to this very individual piece.

There were first performances of *Ouraa*, by the prolific Michael Finnissy, and Chris Dench's *Recueillement*. *Ouraa* (the Australian aboriginal word for "wood") played with ethnic flavours too: shrill, cheerful piccolo-piping over wooden clackets was regularly contrasted with moody tunes—muttered in vaguely canonic overlapping—for gentler instruments. All the parts had character; past a certain point, as with other Finnissy pieces, it began to be unclear whether alternating them a few more times was going to make much difference. *Recueillement* was single-mindedly polyphonic, with each voice of its septet busily pursuing its own line—sometimes in a duet, sometimes in denser competition: tantalising to follow, good aural exercise. It stopped suddenly.

Salvatore Sciarrino's *Introduzione all'Oscuro* has been heard here before. Hollow breaths, shivers, suppressed yelps, sparely and exquisitely laid out: a clutch of Ravel effects for a game of blind-man's-buff. Being insubstantial is the whole aesthetic point.

## SPNM/St John's, Smith Square

**Richard Fairman**

Only 65 minutes music, but this programme featured four premieres. Under the auspices of the Society for the Promotion of New Music four young composers took part in this concert on Friday night, each putting forward a short orchestral piece for its first performance, while long pauses for rearranging the platform made up the rest of the evening. All of them came across as well-schooled, experienced technicians.

The most enjoyable piece came second. This was *El Tres de Mayo* (the Third of May), a bright and vital outpouring of energy by Colin Griffith, who at 34 ranks as the oldest of the four. The work takes its title from a painting by Goya, whose subject it reflects. But much of its success comes from the purely abstract way it exploits the stark, chamber-music textures of an orchestra split into four smaller groups. Its sound world, quite distinct from the others, was also helped by some brilliant cadenzas for piano—a welcome dash of showmanship.

The others were more sombre. Two of them — *A Song of the Dark* by John Woolrich and Martin Butler's *The Flights of Col* — consciously set out to explore the darkest sounds that an orchestra can produce. In Woolrich's case they were described as "a little lullaby from Hell." While one basic idea was played over in three different sets of instrumentation, the rest of the orchestra kept up an ominous background atmosphere, created from threatening low trombones and eerie (horror movie) high violins.

Butler's *The Flights of Col* had more variety, but not necessarily to better effect. The composer had a powerful image in mind when he was writing the piece — the flight of a giant eagle, Col, over a fantasy kingdom beset by evil — but the musical ideas were never quite memorable enough to depict a musical image of equal strength. The players from the National Centre of Orchestral Studies under Adrian Leaper seemed to make sure that each piece had a decent bearing, though a couple of comments overheard at the interval suggests they did not enjoy the experience overmuch.

## Totally Foxed/Southampton

**B. A. Young**

Alasdair Fox, an ambitious salesman, wants to sell the Mark Six computer marketed by his boss Sir Edward Corman to an American millionaire, John P. Dallas. The Mark Six, he claims, is completely humanoid, though when we see it in Maria Esposito's performance, it still looks like a science-fiction machine and moves only with elegant clumsiness. So when the charming Lady Corman (Lynn Clayton) enters, Fox tells Dallas that she is the Mark Six, though he does not tell Sir Edward or Lady Corman that he has done so.

Justin Greene and Steve Cooke, the authors, have thus set up a potential farcical situation, but they do not find enough to do with it. Dallas, anxious to test his humanoid computer, takes her to the races, then to his hotel suite; Lady Corman, being human not electronic, faints when he makes love to her, bangs her head and lies as if dead for almost all of Act II. Dallas supposes there is just a mechanical failure. His instruction book tells him, "Remove the head," and when he has got a tool box from the hotel he takes a hack-saw to Lady Corman's neck. Luckily a policeman, conveniently summoned on another errand, sees him and sends for his Inspector Glossop.

The second act simply delays, by one means or another, the revelation that Lady Corman is not a computer. She lies under a sheet half the time; the other half, she is hidden in a cupboard while Fox extemporises ways to deceive Dallas. Dallas is easily deceived. When the real Mark Six "reassembles" Lady Corman in the cupboard, and Lady Corman comes out and says she has had a strange dream, he is still deluded. The inspector, given a wildly excitable performance by Eric Richard, is easily deceived too; Dallas tells him that the female body on the bed has no pulse or heart beat and he never checks for himself.

Fox, Dallas and Corman are played by Jimmy Mulville, Jonathan Adams and Leon Tanner in the conventional farcical images of bright young man, American tycoon and mature industrialist. So we have too little interest in them to care much about their embarrassments. If Fox had even been offered a romance or a drug scene, it might have lifted him out of the tram lines, but no.

Justin Greene is director as well as part-author, so it is to him that we must attribute the excessive comic business with which he tries to conceal his play's lack of content. The postscript with which the normally happy ending is rendered a little happier, a suggestion that there may after all be a fortune in electronic pets, adds nothing significant to the conclusion.

### Painting saved

The National Gallery has saved from export the 14th century Italian panel painting *The Vision of the Blessed Clare*. The painting was bought through Matthiesen Fine Art and is the gallery's first example of a 14th century Riminese work. The painting's export licence had been delayed in order to give a British public collection the chance to acquire the work.

The painting was executed in about 1340 by an anonymous Riminese artist. It depicts Christ appearing to Blessed Clare of Rimini showing her his wounds.

## Britten/Festival Hall

**Max Loppert**

*St Nicolas*, the cantata that Britten wrote for Lancing College in 1948 and that opened the very first Aldeburgh Festival, was the largest work in Sunday's collaboration between the London Choral Society and the English Chamber Orchestra. Every English-speaking chorister who grew up since the war must have sung it at some time, and enjoyed doing so hugely—the immense practicality and resourcefulness of the writing for tenor solo, choir, boys' voices (*Trinity Boys' Choir*), pianos, organ, and strings make it, after all, an irresistible gift to amateurs.

In professional concert circumstances, however, *St Nicolas* now appears rather more uneven, and therefore more problematical, than one might have guessed or remembered. Britten intentionally filled its nine movements with a motley of musical styles — from the popular-bouncy (the delightful "Birth of Nicolas") through the lean-and-learned (some breathtaking forewarnings of *Billy Budd* in the "Journey to Palestine") to the rather distasteful combination of J. Arthur Rank bombast and village-hall fervour to be found in the two big hymn-tune settings. As a whole, the mixture is curious: the revolution of taste that Britten's genius accomplished in this country was so thorough-going that it takes the reappearance of one of his less wholly satisfying works to remind one what an odd fish of a composer he could be.

The outbreak of illnesses that swept through London's concert halls this weekend claimed here the original conductor (Richard Armstrong) and tenor (Anthony Rolfe Johnson); but since more-than adequate substitutes — Nichols Cleobury and Keith Lewis respectively—had been provided, no performance complaints could be made on this score. At the start of the evening Mr Lewis, in company with the not very poetic horn of Michael Thompson, had taken part in a workmanlike account of the Serenade for tenor, horn and strings.

Of the Britten piece there can be no doubt that the stylistic mixture comes off, the genius shines through; and so its failure to cast its usual spell on this occasion must be set down to the brave but unrehearsed nature of the performance. In between the two vocal works, Julian Jacobson was the competent, perhaps insufficiently brilliant pianist in the recently - rediscovered *Young Apollo*: another Britten curiosity, all *scherzo*-like dash and sparkle yet at the same time strangely short and inconsequential.

### Show of strength for Sadler's Wells

The threat of closure of the Sadler's Wells Theatre has prompted ballet companies associated with the Wells to hold a gala performance at the Royal Opera House, Covent Garden, next Sunday, February 9, to demonstrate their strength of feeling and affection for the theatre.

Artists from the following companies will perform: the Royal Ballet, Sadler's Wells Royal Ballet, Ballet Rambert, London Contemporary Dance, London Festival Ballet, Michael Clark and Dancers, Royal Ballet School, English National Opera, and artists from the current production at Sadler's Wells Theatre, *Charlie and the Chocolate Factory*.

Dame Ninette de Valois will address the audience from the stage. Tickets are on sale from £5 to £25.



## Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 31–Feb 6

### Opera and Ballet

LONDON

**English National Opera**, Coliseum: Jonathan Miller's curious "drama-in-the-library" production of The Magic Flute, first put on by Scottish Opera, is now taken on at the Coliseum, with only a single member of the original cast, Benjamin Luxon as a wonderfully warm, intelligent and funny Papageno. Peter Robinson conducts, and Maldwyn Davies, Susan Bullock, Sean Rea and Nan Christie take other leading roles. Further performances of the largely disappointing Rossini Moses, in a clumsily updated production by Keith Warner, and not very well sung, but still worth attending for the splendour of the work itself. (836 3161).

**Royal Opera**, Covent Garden: Gounod's Faust, revised in the rather gaudy and clumsy John Copley production, offers a French conductor, Michel Plasson, and an attractive (though non-Gallic) cast – Stuart Burrows returning to the title role, Nelly Miricioiu, Samuel Ramey. Last performance of the current Turandot, a spectacular show of colour and exotic action, with Gwyneth Jones and Franco Bonisolli in the leading roles, and Jacques Delacôte as conductor. (240 1066).

**Royal Opera House**, Covent Garden: La Fille mal gardée with Fernando Bujones as guest artist – an event of more than passing interest.

NETHERLANDS

**Eindhoven**, Schouwburg. Noon of the plant from the Shusaku and Dormu Dance Theatre (Tue). (11 11 22).

PARIS

**La Traviata** alternates with a Ballet Spectacle, Un Jour ou Deux, in Merce Cunningham's choreography, and Washington Square in Rudolf Nureyev's choreography. Paris Opéra (4742 5750).

**Sacred Dance of Raslila.** Children dressed up, made up, crowned with flowers act and dance episodes of Krishna's life. Maison des Cultures du Monde, 101 Bld Raspail (4544 7230).

VIENNA

**Staatsoper**: Die Fledermaus with Ludwig, Gruberova, Weikl; The Sleeping Beauty with choreography by Nureyev conducted by Richter. (53 24/26 55).

**Volksoper**: Orpheus in the Underworld; Nedbal's Polenblut; Das Land des Lächelns; Die Czardasfürstin; Der Opernball. (53 24/26 57).

WEST GERMANY

**Berlin**, Deutsche Oper: Don Giovanni, conducted by Heinrich Hollreiser, has fine interpretations by Lucy Peacock, Lenos Carlson and Donald Grobe. Die lustigen Weiber von Windsor is e well done repertoire performance. The cast includes Patricia Johnson, Gudrun Sieber, Norma Sharp and Gunther von Kannen. Lucia di Lammermoor has Angela Denning in the title role.

**Hamburg, Staatsoper**: Il Trovatore is respectable with Rosalind Plowright, Stefania Toczyska, Giorgio Zancanaro and Carlo Cossutta. This week's highlight is Lohengrin, starring Rene Kollo in the title role. Wozzeck has Karen Armstrong, Franz Grundheber and Kurt Moll in the leads. Also offered is Die Entführung aus dem Serail and Il Barbiere di Siviglia.

**Cologne, Opera**: Cimarosa's rarely played 'Die heimliche Ehe' brings together Janice Hall, Adelina Scarabelli and Alberto Rinaldi.

**Munich, Bayerische Staatsoper**: The week of contemporary operas starts with Werner Egk's 'Peer Gynt'. It has Astrid Varnay, Cheryl Studer and Helena Jungwirth in the main parts. Further offered are Lulu and Wozzeck. The latter is worth a visit with Marjana Lipovsek, Karl Ridderbusch and Gudrun Wewezow.

SPAIN

**Barcelona**: Lohengrin starring Siegfried Jerusalem, Pilar Lorengar, Franz Ferdinand Nentwig, Eva Randova conducted by Christof Perick. Gran Teatre del Liceu, Sant Pau 1. (Thur). (318 92 77).

**Madrid**: La Cenerentola with Agnes Baltsa. Production from Glyndebourne Festival Opera. Teatro de La Zarzuela, Jovellanos 4. (429 82 16).

NEW YORK

**New York City Ballet** (NY State Theater): The repertory of mixed programmes this week includes a world premiere with Slaughter on Tenth Avenue, A Midsummer Night's Dream and Fancy Free. Lincoln Center (870 5570).

**Metropolitan Opera** (Opera House): The week features the premiere of Samson in the joint Covent Garden production by Elijah Moshinsky with costumes and sets by Timothy O'Brien, conducted by Julius Rudel with Leona Mitchell as Dalila and Jon Vickers in the title role. The week includes Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling, as well as Neeme Jarvi conducting the last seasonal performance of August Everding's production of Khovanshchina, with Natalia Rom as Emma, Florence Quivar as Maria and Wieslaw Ochman as Prince Golitsyn. Lincoln Center (362 6000).

TOKYO

**A Masked Ball**: Fujiwara Opera Company, directed by Yasuhiko Aguni, conducted by Armando Getto. Tokyo Bunka Kaikan (371 5384: 369 7020).



## Saleroom/Antony Thorncroft

# An Atlantic appreciation

A pair of silver caudle cups, bought in the Portobello Road in London for £100, sold for £15,438 at Sotheby's New York saleroom over the weekend. They were of early American silver, made in Boston around 1700 by John Coney.

They featured in an important auction of Americana, which totalled £3,316,789 ($4,726,425), with 13 per cent unsold. The section most in demand was American folk art and the most remarkable price was the £71,403 (over 10 times the pre-sale forecast), paid by a private collector for a needlework pictorial sampler of around 1800, probably the work of a nine-year-old girl living in Newburyport, Mass. It depicts a fine house on an estate, and established an auction record for needlework.

The top price in the sale was the £192,982 paid by a New England dealer for a Chippendale block and shell carved mahogany chest of drawers made around 1765 at the Goddard-Townshend workshop et Newport, Rhode Island.

Among the pictures the highest price was the £88,771 bid by an American private collector for a long lost view of Schyukill County Almshouse in Pennsylvania painted in 1875 by Charles Hofmann. Hofmann, now a much-collected naive artist, was an itinerant who often painted pictures in return for drinks.

Cornelius Moore's collection of early American silver realised £429,868, with 19 per cent unsold. A New York dealer bought a covered sugar-bowl, made in New York around 1770 by Myer Myers, for £27,017. It had long been used in a Rhode Island synagogue as a container during the Festival of the Tabernacles.

Pop millionaires of the 1970s often invested in antiques. Carl Palmer, of Emerson Lake and Palmer, was keen on Japanese swords and a Samurai sword made by Yukihiro around 1688 which he acquired comes up for auction at Christie's on March 4; it carries a top estimate of £20,000.

It is exceptional for an item of silver to sell for more than £100,000 at auction but Christie's is hoping to reach that target on March 19 when it offers a wine cooler and platter made for Ernest Augustus, the fifth son of George III, better known either as the Duke of Cumberland, or the King of Hanover.

Both pieces were modelled by Flaxman and Edward Hodges Baily, with the cooler executed in 1821 by Philip Rundell, and the platter in 1828 by William Bateman. When Hanover was overthrown by Prussia the set was hidden in the King's vaults by his servants and did not resurface until 1894.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday February 4 1986

# If you can't beat them . . .

THE TRADE Secretary, Mr Paul Channon, had a relatively easy task yesterday in stating the Government's provisional blessing for the purchase of British Leyland's truck and four-wheel-drive division by General Motors of the US. Leyland has a long if sometimes patchy history as a truck manufacturer, but was never even in its heyday a really major force in Europe. The GM approach has an element of flattery. The world's biggest motor manufacturer has neglected its European truck operations, and has recently found itself at e technical disadvantage in the US; it clearly feels that Leyland, which has recently invested heavily in new designs and production facilities, will be e source of strength. There are good reasons to hope that the development of both the Leyland and Land Rover businesses will benefit from commitment, financial security and GM's vast marketing power.

This is only the overture, though. The real drama will begin when the Government chooses to raise the curtain on its response to the talks now going on between Austin Rover and Ford, which is interested in buying the business, and Honda, its present partner, which would clearly rather continue with step-by-step cooperation. Even after an almost continuous decline in the three decades since the original British Motors merger, Austin Rover remains the largest manufacturer of cars in the UK. The company and its suppliers form the industrial heart of the West Midlands economy, and its future ownership is bound to arouse the strongest political passions. Prepare for storm music, with kettledrums and full brass choir.

### Independence

One section will undoubtedly call for the preservation of Austin Rover's independence, under British ownership, on nationalistic and "strategic" grounds. However, even apart from the Government's natural reluctance to throw still more good money after bad, this is a strategy beset with the severest difficulties.

Austin Rover is in two senses a victim of its history. The mismanagement and cash shortages of the past have left it with a severely devalued reputation, and greatly reduced in size. Problems of reputation are not insuperable, as Renault and Fiat have proved in their time; but the problems of a small-scale manufacturer in a market suffering from over-capacity are likely to prove much more obstinate. The specialists — the Volvos and BMWs—can prosper; but Austin Rover, which once dominated the UK market, is trying to develop in this direction from a very unfavourable starting point.

Its UK retail network, on which it is so heavily dependent, still demands a full model range, and AR is really too small a producer, even given the vastly improved efficiency of its now production facilities. It is the amortisation of development costs rather than economies of mass production which place it et a severe disedvantage. Co-operation with Honda offers a rather distant prospect of transformation; but its first fruit, the XX model, is still awaiting its launch in Europe. Meanwhile, its bread-and-butter products, even heavily discounted, are losing market share.

### Capacity

The Ford approach appears at first sight to offer e much quicker and more certain route. Ford, after attempting a more ambitious merger with Fiat, is anxious to expand its European base rapidly. Its ambitions to invade the specialist market under its own label have led to repeated disappointment even when the prodocts were right (and some of them were not). The Rover name, along with MG, might open the way to an approach like that of GM in the US market, developing distinct prodnct lines with much shared technology.

There are two reasons, though, to feel some doubt about this rosy picture. First, a change of ownership might cool tho discount war, which has mada car manufacture in the UK so unrewarding; but it will do nothing to reduce European overcapacity, unless Ford-AR could win new markets in other continents. Assurances of preservation of capacity may be sincere, but are subject to market reality, as the Chrysler-Rootes experience proved. There is also a suspicion of anti-Japanese motivation here, as in tha GM purchase of Lotus, which might otherwise have turned to Toyota. With such unsettling intimations of Westland-like issues, Mr Channon no donbt plans deep study before he speaks. This is wise.

# BT as national champion

EVERY British Government in recent years has been influenced by the so-called "national champions" argument. The UK, it is said, can succeed in international markets only through the creation of companies large and powerful enough to compete with Japanese and American giants. The promotion of national champions is often inconsistent with moves to encourage competition in Britain's domestic markets which are small by world standards.

The Thatcher government, like its predecessors, has had to come to terms with this dilemma. Although it has in public laid greater stress on the importance of fostering domestic competition, its actions suggest e good measure of sympathy with the national champions argument. It was hard, for example, to understand why the Government was determined to privatise British Telecom in one piece unless one of its nbjectives was to create an information technology flagship capable of competing internationally with the likes of IBM and AT & T.

Ironically, one of Mr Leon Brittan's last decisions as Trade and Industry Secretary underlined the extent to which tho Government's ideal of competition has been undermined by the national champion argument. Mr Brittan gave BT the go-ahead to buy a controlling stake in Mitel, the Canadian telecommunications manufacturer. He overturned s recommendation from the Monopolies and Mergers Commission that BT should be banned for three years from supplying Mitel equipment in the UK. Instead, a deal is being negotiated under which BT will be able to maintain its sales of Mitel equipment at the 1985 level.

If competition had been the only criterion, it would have been more logical to support the minority view on the Commission that the merger should *not be allowed*. The thrust of the body of the report is that BT's purchase of Mitel is likely significantly to reinforce *its* already dominant market position with edverse consequences for consumers, who may expect "reduced choice and higher prices."

Competition in both the manufacture and distribution of PBAXs (private branch exchanges) is likely to be seriously impaired through this vertical integration. Professor Bryan Carsberg, the director general of tho telecommunications regulator Oftel, was worried about the extent of BT's dominance even before the proposed Mitel acquistion. In 1984, BT's PABX turnover was 10 times the size of the next largest supplier which had 6 per cent of the market compared with BT's 76 per cent.

A sacrifice of domestic competition might conceivably be worthwhile if the potential gains for BT as a player on the world stage were large enough. But this seems doubtful. BT is proposing to pay £180m for a financially troubled company that has now lost the technological lead which led to its spectacular performance in the 1970s. Without such an edge and without a US distribution and marketing presence, Mitel looks likely to perform poorly in US and world markets which are suffering from overcapacity.

### Competition

It looks therefore as though the Trade and Industry Department has fallen between two stools. The Mitel decision may not contribute to the creation of a viable national champion yet it will almost certainly reduce competition in the domestic PABX market. In the longer-term, as Professor Carsberg has hinted, the only way to guarantee domestic competition may be to require BT to set up a wholly separate subsidiary to sell office equipment, if not divest this part of its business entirely.

The moral may be that in future the Government should be less willing to trade reductions in domestic competition for highly speculative advantages in world markets. This might be easier to achieve in practice if the DTI, which understandably retains broad industrial policy objectives, devolved more power to regulators of particular sectors such as Oftel.

FIVE YEARS ON

# Reagan shows his regal touch

By Reginald Dale, US Editor in Washington

The days since the shuttle disaster have seen Ronald Reagan at his best... one year into his second term, he continues to confound his critics; but he faces some tough decisions in the next few months

ON television the other evening, an elderly woman flashed briefly on to the screen to explain why she is such a fan of President Ronald Reagan. "He is an American and he's for America," she said simply.

The unidentified woman was chosen by CBS News as a symbol of the extraordinary strength of public support that its polls still show Mr Reagan enjoying, at least among white Americans, after five years in the White House.

When Mr Reagan steps to the podium of the House of Representatives to deliver his annual State of the Union address tonight, he will do so fortified by a degree of personal popularity unparalleled in the last half-century of US presidential politics.

Mr Reagan delayed the address rather than appear before the nation with an upbeat, optimistic portrayal of today's America just hours after the catastrophic explosion of the Challenger space shuttle.

In the days since the shuttle disaster, which appears to have traumatised many Americans more than any event since the assassination of President John F. Kennedy more than 22 years ago, Mr Reagan has been at his best. His dignified expressions of emotion have hit the right note and fulfilled a national need.

At times like these, Mr Reagan seems to embody a certain kind of American-ness in the way that President Charles De Gaulle embodied Frenchness. If the national characteristics they reflect are markedly different, the instinctive feel for the pulse of the country is the same.

This is the regal side of Mr Reagan, the side best brought out by television, his natural medium. An American president is both a head of state and a head of government—a monarch and a prime minister—and Mr Reagan has always concentrated on the former. After the anguish of Vietnam and Watergate, and the self-doubts of the Carter presidency, it seemed to be what a majority of the country wanted.

Through most of Mr Reagan's five years in the White House, the US has enjoyed a period of unusual peace, prosperity and political stability. Mr Reagan has made patriotism—and indeed wealth and conservatism—respectable again, and catered tn an apparent national disinclination to confront hard issues, such as poverty, homelessness and hunger.

The voters who re-elected Mr Reagan by a landslide in November 1984 did not want to listen to the party-pooping protestations of Mr Walter Mondale, the Democratic challenger, that all was not well with American society.

As he enters his sixth year in office, Mr Reagan enjoys personal approval ratings higher than those of President Dwight D. Eisenhower, or even President Franklin D. Roosevelt, at comparable stages in their presidencies.

In some ways, Mr Reagan has been one of the most predictable of Presidents. His underlying convictions, his straightforward views of right and wrong, have not changed in 40 years and are unlikely ever to do so. Even if he no longer says so publicly, he still believes deep down that the Soviet Union is the "evil empire."

But his conduct of his first five years in the White House have surprised many people both in the US and abroad.

When he defeated Mr Jimmy Carter, it was not unusual to hear liberal Americans say that they planned to leave the country for as long as he was in the White House. Most of them, of course, did no such thing. But Mr Reagan was widely regarded as a trigger-happy, right-wing ogre.

It has not turned out that way. In office, Mr Reagan, perhaps with the exception of the October 1983 invasion of Grenada, has in fact been remarkably un-trigger-happy. He has not invaded Nicaragua, blockaded Cuba, or bombed Libya and Iran, as many liberals feared and some conservatives hoped. He has proved much more pragmatic and less ideological than his right-wing supporters in his domestic dealings with Congress and in foreign affairs.

He has been to "Red" China and is trying to reach some kind of arms control accommodation with Moscow (half-hearted though those efforts may seem to some of his critics. After a few sticky patches in his first term, most notably over the Soviet gas pipeline, his relations with the European Nato allies are now, on the whole, remarkably good.

In the US, it is tho conservatives who have become nearly as upset as the liberals once were. In foreign policy, they are deeply disappointed that the edministration has not been more muscular in supporting anti-Communist "freedom fighters" in Angola, Afghanistan and Nicaragua, and that it has failed to hit back decisively against terrorism. They fear a sell-out to Moscow on arms control.

In part, Mr Reagan's hand has been stayed by the sharply declining national tolerance for American casualties.

The ill-fated deployment of the US Marines to Beirut in 1983 was a mistake that is unlikely to be repeated. US military intervention, if it takes place at all, is now most likely to be conducted by long-range naval or aerial bombardment.

The rationalisation of this is the so-called "Reagan doctrine" of encouraging "freedom fighters" to risk their own — and not American — lives in the worldwide struggle against Communism. And despite the right-wing view that it has not gone far enough, Mr Reagan would claim that his policy is working.

Having ostentatiously "drawn the line" against Communism in El Salvador at the beginning of his first term, he can claim that no countries have fallen to Communism during his term.

Domestically, Mr Reagan is often said by his critics to have presided over a rebirth of greedy, self-centred conservatism. But the latest New York Times/CBS News poll shows no evidence of this. Roughly the same proportion of Americans now consider themselves conservatives (36 per cent) as five years ago (37 per cent), while those considering themselves liberal have advanced from 18 to 21 per cent over the same period.

The polls also continue to confirm one of the salient characteristics of Mr Reagan's presidency: far more people approve of him personally then they do of any of his individual policies, economic, social or foreign. In a way, that is evidence of his success in detaching the "regal" from the functional aspects of the Presidency. It is certainly why his opponents have always found it so hard to get a grip on him.

Repeatedly, Mr Reagan has got away with things—the fiasco over his visit to the Bitburg war cemetery earlier last year, for example—which would almost certainly have landed other presidents in much greater trouble. He constantly makes mistakes, sometimes quite elementary ones, in his public statements, and few people seem tn care.

It is not uncommon now to find people blaming the media for saving Mr Reagan from embarrassment, giving him too easy e ride. Even dyed-in-the-wool Republicans have expressed puzzlement at why the press has not turned on Mr Reagan in the way that it did on all his immediate predecessors.

There is no easy explanation for this, but it seems likely that, because Mr Reagan represents the views and values of e vast number of Americans, the media would make itself even more unpopular than it already is it it tried to go for his jugular. That is particularly so while prosperity lasts and there are no really serious scandals in the White House.

The Democrats are confident that this mid-term election year is the year that Mr Reagan will finally come unstuck. But they have thought that before and it has not happened.

The Republicans believe quite the opposite. Their soundings, they say, suggest that they can use the November congressional elections to become the country's dominant political party for the first time in more than 50 years—thanks largely to Mr Reagan's popularity and the growing conservatism of young voters.

But Mr Reagan will certainly continue to need his famous escapology techniques if he is to avoid some of the pitfalls along the way. His tax reform plan, which he has, perhaps unwisely, made the top legislative priority of his second term, has failed to catch fire around the country, despite strenuous campaigning, and awaits an uncertain fate in Congress.

He has had a difficult time maintaining his authority on Capitol Hill over the past few months, and, with the elections approaching, his own Republicans are restive, particularly in the House of Representatives. His new White House staff under Mr Donald Regan is not the masterly political machine it was under Mr James Baker. The feuding barons of his cabinet, most notably Mr George Shultz at State and Mr Caspar Weinberger at the Pentagon, are still at loggerheads.

Unless he gives someone authority to knock heads together and produce a coherent arms control policy, he risks losing tho East-West momentum generated at his November summit with Mr Mikhail Gorbachev, the Soviet leader, one of tho factors in his recent spurt in popularity. It will not be so easy to get away with affability without concrete results at the second summit.

Above all, the Democrats are now hoping that the Gramm-Rudman balanced budget law will finally flush the contradictions of Mr Reagan's policies into the open. He cannot, they believe, continue to get away with advocating higher defence spending, a balanced budget and no tax increase. He will almost certainly be forced to compromise, as he has in recent months on South-African sanctions, trade protectionism and his MX missile.

In this election year, however, it is clearer than ever that Mr Reagan has changed the terms of political debate. Republicans believe that the only way the Democrats can win is by aping their policies, and there is plenty of evidence that this is happening.

There is little disagreement with Mr Reagan's original theses that the nation's defence needed to be rebuilt after the decline of the 1970s and the role of government restrained. The Democrats, awere that their traditional New Deal coalition or trade unions, women and minorities will not be enough to capture the White House in 1988, are looking for centrist "new ideas" of the sort first tried out by Senator Gary Hart of Colorado in the 1984 presidential election campaign.

Republicans end Democrats alike are jockeying for position in the post-Reagan era. But the leadership of that era will depend heavily on what sort of legacy Mr Reagan leaves—whether those bidding to succeed him calculate that they should steal his clothes or discard them.

In the end, it will probably be economics that makes or breaks the Reagan magic. Polls which show so much approval for him now also show that the biggest single reason is the prosperity of the last three years. It is typical of Mr Reagan's Irish luck that falling oil prices and a declining dollar may now extend that prosperity further than he had any right to expect.

## Men and Matters

### Moussa's six commandments

Pierre Moussa, the French investment banker ejected from tho chairmanship of Paribas in October 1981 at the height of a political storm over the socialist government's nationalisation moves, yesterday made his comeback in Paris.

In a front-page article in Le Monde, Moussa underlined the transformation in the French political landscape in the last few years by making a powerful plea fnr denationalisation.

Moussa's article, in which he set out six commandments for returning banks and industrial groups to the private sector, would have been dynamite in the heady aftermath of the socialists' nationalisation programme in 1982.

These days, however — when socialist-appointed nationalised industry chairmen are readily proclaiming their wish to go private — his prescriptions sound almost routine.

Moussa was the central figure in a long-running trial of Paribas personnel and clients over exchange control irregularities which ended with his acquittal two years ago.

No doubt referring to the government's fury back in 1981 over his successful efforts to free part of Paribas' foreign assets from state takeover, Moussa yesterday asked quizzically, "Why so much passion four years ago?"

Moussa, since 1984 the chairman of the London-based arm of the New York investment bank Dillon Read, will certainly be making his voice heard further in Paris after the expected return of a right-wing government in the March general elections.

*He pleads in his article that* a significant "core" of the capital of newly denationalised companies should be held by "solid" outside groups.

Moussa no doubt expects to use his investment banking expertise to come up with the right candidates.

"I bope the Americans aren't expecting immediate delivery"

### Official freeze

London estate agent Richard Meacock, aged 46, who has a home on Guernsey, is trying to persuade the authorities to allow a 2½-acre granite quarry on the island to be roofed over and turned into an ice sports stadium.

World championships could be staged there, be says, and if the island goverument doesn't want to take on the project there are venture capital backers ready to put up the £4m needed.

Meacock, who *claims* to have spent £30,000 so far on plans and feasibility studies, recently *brought nver a party of experts* to see the proposed site, including the ice skating star Robin *Cousins*, and *Michael Williams*, director of Oxford's new civic ice rink.

Everyone has reacted favourable to the project, be says—except the Guernsey authorities who have earmarked the quarry for the mundane purpose of refuse disposal.

The island's recreation committee has described Meacock's scheme as "sheer nonsense" and "fantasy." The tourist board dismisses his estimate of attracting 100,000 extra visitors as, "only likely if the Channel *were to freeze over." The latest* put-down has been a letter telling Meacock bluntly to stop wasting the authorities' time.

Meacock believes the majority of the islanders are behind him, however, and he is undaunted by the official opposition.

### Pint pot

Nobody, you might think, could teach Australians anything about beer and gambling. But in the past few days, they have turned to Britain for help in pursuing both their national pastimes.

Leeds-based printing and publishing group, Norton Opax, *has* just landed e £1.2m contract for the state lottery in Queensland, the fourth Australian state to retain the group for the marketing of such additional revenue earners.

Some 35 countries now use Norton Opax lotteries — Zaire has recently become the 13th African country to sign up — and the *business accounts* for some £9m of the group's £70m turnover.

But even marketing director, Philip Cushing, has been pleasantly surprised by the eagerness with which the Queensland punters have been snapping up the tickets. In a 30 week trial lottery, no less than 62m A$1 tickets were sold to a population of only 2.4m.

As for all those lager-lapping Aussies—Allied-Lyons drew great satisfaction et the weekend from a call from the Australian branch of CAMRA, *the Campaign for Real Ale*, for a couple of casks of Tetley bitter for its annual get-together in Perth.

Allied, the target for a takeover bid from Australia's Elders, airlifted the beer out to Perth. "It's good to know that our friends Down Under know who to turn to when they want a pint of traditional beer," said an Allied man.

### Day to remember

The City accountancy firm Buzzacott decided it should guide its private clients into the post-Big Bang world. But first it had to find out when it *was due to go off*.

Cazenoves said it was some time in October—but the speaker was not sure quite when. The same answer came from Scrimgeour Vickers Da Costa. Precise information seemed to be in short supply.

Robert Vincent, a Buzzacott partner, reasoned that a Big Bang must go off all at once *if it was to avoid being merely* a Big Smoulder. So be rang the Stock Exchange.

The information department of the exchange was rectain that it would occur on October 27.

The Securities and Investments Board, where I double-checked, refused to be so precise. "It's sometimes in October, we think."

October 27 is the assigned detonation day. But it is *remarkable how few calendars* in the City have the date ringed.

### Money's worth

*India's finance minister*, Vishwanath Pratap Singh, seeking to increase public involvement *in his annual budget-making*, last Friday offered e Rs 2,000 (£117) prize for the best public expenditure idea sent to him for the budget due on February 28.

Over the weekend, Singh reflected on the labour involved in such e daunting task in the world's largest democracy. He decided, by coincidence a few hours after demonstrations in New Delhi about increases in gas and petrol prices, to raise the prize to Rs 5,000 (£300)—roughly double the monthly salary of a graduate research assistant.

**Observer**

# Letters to the Editor

## The current UK deficit in manufactured trade

*From Mr P. Seabright*

Sir,—Geoffrey Maynard is right to remind us (January 29) that there is nothing intrinsically disturbing about the current UK deficit in manufactured trade at a time of oil surplus. But his breezy optimism might well mislead readers into thinking there is nothing intrinsically disturbing about the current state of manufacturing industry, which is quite another matter.

If the entire economic rent from North Sea oil is not invested overseas, there will as he says be a deterioration in the balance on non-oil trade. But this could come about simply by a corresponding rise in manufactured imports without any depressant effect upon either exports or domestic manufacturing production (the UK would effectively be trading oil for manufactures on the world market). There are indeed theories predicting a depression of manufacturing production in such circumstances, but the mechanism involved is a rise in demand for non-traded output due to the income gain from North Sea oil, which at full employment must lead to resources shifting out of the traded goods sector. Such theories are clearly irrelevant now.

In fact, Organisation for Economic Co-operation and Development figures show that UK manufacturing production in mid-1985 was still at a mere 98 per cent of its level in 1975 (itself hardly a bumper year), making the UK the worst performer in the entire OECD. It remains the worst performer even in total industrial production, which includes North Sea oil. Imports of manufactures have risen dramatically (by 96 per cent since 1975 in volume terms), but export volumes have performed very poorly, rising by a mere 19 per cent over the same period against an average of 58 per cent for the developed market economies. An 11 per cent rise in the terms of UK trade over that period has been partly responsible, without holding up export values sufficiently to compensate for the poor volume performance.

In sum, UK manufacturing has performed much worse than can be explained by the world recession. Although a major part in this has been played by the restriction of domestic demand, the deteriorating trade balance has also had a serious effect, due in part to the high real exchange rate since 1979. It is paradoxical that a government emphasising the economic importance of correct relative prices should have viewed the real exchange rate entirely as a means to control inflation in the aggregate price level (at which it is very effective) and have ignored its potential for disrupting levels of relative prices, at which it is also very effective.

Professor Maynard believes that "the UK's real exchange rate will have to fall" for manufacturing to contribute to closing the UK's payments gap as oil production falls. It is unclear whether he is claiming, as the Chancellor of the Exchequer did nearly two years ago, that this will be automatic. But in an efficient market the effect of a discovery of North Sea oil is not to raise and then lower the real exchange rate, but to raise it once and for all. A high valuation in terms of sterling now can occur only because traders anticipate a high valuation in the future (given the interest rate differential between currencies). If sterling has to fall in the future, that must mean either that the market is inefficient or that real interest rates in the UK are too high. I suspect both to be true. Whether sterling is now in some sense "too high" is a difficult matter to judge. But what is clear is that there is no argument for the desirability of a fall in the real exchange rate in the future, that does not imply that sterling is too high now.

Paul Seabright,
*All Souls College,*
*Oxford.*

*From Professor G. Maynard*

Sir,—Wynne Godley (January 31) has possibly failed to recognise the significance of the last paragraph of my article. This implicitly summarises the strategic problem facing the UK as oil runs out, and indeed goes beyond his own statement of the problem since it refers to the most likely cause of it.

The paragraph argues that if the UK does not become more competitive in producing manufactures, then the growth of UK GDP (and of course implicitly, employment) will be constrained, even though the UK may well move back into a surplus manufacturing position. In other words, the less manufactured exports can be expanded, the more manufactured imports will have to be restrained by accepting slower GDP growth. (Note that given its structural reliance on imported food and raw materials the UK can hardly become, except in the short run, both a net importer of oil and net importer of manufactures simultaneously—except in the unlikely circumstances that it can become a long term capital importer.)

The statement of the problem goes beyond Wynne Godley's own by referring to the most likely cause, namely, a failure of UK efficiency wages in manufacturing to fall relatively to those in its major competitor countries. The fact that the problem goes back well before the UK became an oil producer does not invalidate the nature of the basic diagnosis.

(Professor) Geoffrey Maynard.
*Chase Manhattan Bank,*
*3, Shortlands, W6.*

## Civil servants' integrity

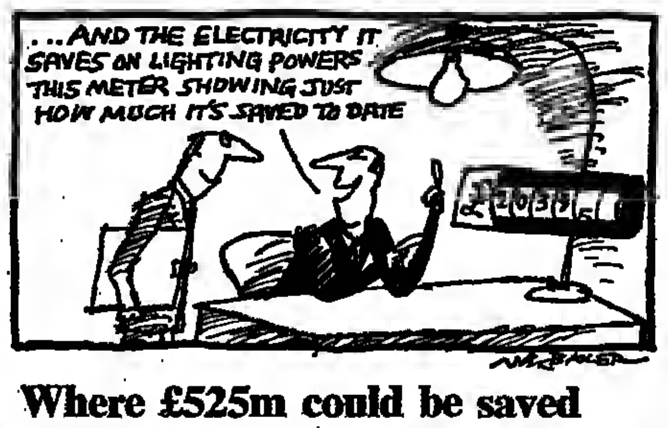
*From the Chairman, Department of Trade and Industry, Council of Civil Service Unions*

Sir,—I was very interested to read Justinian's account (January 20) of the legal position regarding the leak of the Solicitor-General's letter concerning the Westland affair.

The national council of civil service unions has repeatedly argued the need for the repeal of Section 2 of the Official Secrets Act and its replacement by a Freedom of Information Act. The council has also been equally critical of the guidelines reiterated by Sir Robert Armstrong recently which seek to enforce the traditional responsibilities of Ministers and civil servants. At present, the council is in the process of giving evidence to the Treasury and Civil Service select committee on this subject.

In DTI, attempts have regularly been made to ensure the confidentiality of most official information irrespective of its classification. The need to prevent unauthorised disclosure has been paramount. It is ironic therefore that the source of the department's most acute embarrassment should be the disclosure of a leak. Even this, however, has not been without considerable cost to the staff involved. In addition to the unwelcome press comment, they have had to endure what seems to have been an unnecessary interrogation from the leak inquiry and have been publicly prevented from being able to defend their actions, particularly before the Defence parliamentary sub-committee investigating the affair. It is to be hoped therefore that events and any subsequent developments will really more than demonstrate that their integrity as civil servants has not been impaired.

R. W. Earwicker,
*Room 20,*
*Sanctuary Buildings,*
*16-20 Great Smith Street, SW1.*




## Where £525m could be saved

*From the President, Institution of Lighting Engineers*

Sir,—May I suggest that "Getting more for your Money" (January 29), left out an important part of the story.

It should be remembered that 5 per cent of the UK's £35bn spent on energy goes on paying for the electrical energy necessary to keep our lighting systems operating, whether they be in the home, in commerce and industry, or on the streets.

Your profile of Professor Arthur Rosenfeld and his enthusiasm for the introduction of the energy-efficient small fluorescent lamps into commercial buildings in America, indicates a change also taking place in this country. There needs to be radical change in the thinking of the domestic consumer, however, before significant economies can be made. The public should be made aware that by converting to the new discharge light source, which gives out the same amount of light for less electricity as the old-style incandescent lamp, and which lasts seven times as long, they too can share in this bonanza.

Even when the cost of conversion is relatively high, discharge sources such as the utilitarian yellow sodium lamp used for street lighting, have provided local authorities with a pay-back on capital investment of around two years.

And in industry the picture is much the same. Winners of energy management in lighting awards consistently report energy savings of around 50 per cent, with the added advantage that lighting improves health and safety, business cost-effectiveness and security without involving further expense.

Using modern lamps, fittings and design methods, it is possible to achieve a reduction of 1.5 per cent in UK energy useage, and a saving of around £525m on the UK's energy bill.

K. Shaw.
*9 Lawford Road, Rugby.*

## Time to phase out the MFA

*From the Managing Director, Central Confederation of the Textile Industry in the Federal Republic of Germany.*

Sir,—The article "Time to phase out the MFA" (January 30) prompts me to add "... and distortions of competition in world textile trade in the process."

The statement that the Multi-Fibre Arrangement is "a blatant example of an illiberal trade agreement" seems grossly exaggerated in view of the fact that, since the first MFA in 1974, the developing and newly industrialising countries' share of world textile and clothing trade increased considerably—to the detriment of that of the industrialised countries.

The assertion that the MFA violates three fundamental Gatt rules — tariffs, non-discrimination and stability of protectionism—does not take into account that if a considerable increase in tariffs was actually introduced as a replacement of the MFA, the industrialised and the exporting MFA countries would be put in an unfair disadvantage vis-a-vis those countries with which the EEC has preferential tariff agreements. As regards discrimination, it must be borne in mind that the imposition of quotas on the MFA supplier countries is — albeit severely limited — safeguard against the massive distortions of competition (state subsidies for production and/or exports, closed markets etc) coming from the great majority of these countries. In view of the "clear liberal signals" the EEC Commission has been demanding as a basis for the negotiation of a renewal of the MFA, it is hard to see that the criterion of "protection stability" is not met.

It is precisely the failure to take due notice of these distortions in world textile trade that makes one particularly bitter when one reads that one has apparently misunderstood the nature of gains from free trade and that the EEC would gain from an unconditional dismantling of the MFA. There can be no doubt that such a step would lead to an enormous increase in the already high unemployment rate in the EEC. I take it, the "pure theory" of free trade would say that this would be (more than?) offset by gains in other sectors.

The question arises whether the EEC should really be prepared to sacrifice sector after sector of its industrial base on the altar of "Free Trade."

The suggestion that the EEC should agree — ahead of the GATT talks — to renew the MFA for the last time this July and leave the negotiations about the date and the details of a return to the general GATT rules to the new GATT round is admittedly good for thought. For the immediate future, however, the MFA is still absolutely indispensible.

Dr Konrad Neundoerfer,
*Schaumainkai 87,*
*6000 Frankfurt 70.*

## Money GDP targetting

*From Mr M. Weale*

Sir, — I have followed with interest the City view on money GDP targeting (Bill Martin, January 22) and its academic criticisms which, I believe can be traced back to David Ricardo in 1809. The argument that the interpretation of monetary indicators depends on the structure of the banking system is clear enough. One must ask at what point the banking system became competitive (as mentioned by Michael Beenstock, January 28) so as to render £M3 difficult to interpret.

Readers with long memories will recall the argument that, during the credit inflation of 1972-73, precisely the same argument was made. £M3 was "rehabilitated" because the oil crisis exacerbated inflation in 1974-75. One could argue that £M3 was relevant during "corset-on" periods and M0 during "corset-off" periods. This certainly implies that for five years after the end of the corset in 1980 the advocates of a £M3 target were pursuing the wrong goal.

An important feature of any targeting régime is that the target should be credible and its relationship with the final aims of economic management should be easily understood. This is not the case with M0.

Martin Weale.
*Department of Applied Economics,*
*University of Cambridge,*
*Sidgwick Avenue, Cambridge.*

## Enforcement of collective agreements

*From Mr J. Kennedy*

Sir,—May I as an "uncommon" lawyer offer a comment on David Thomas's article "Hazards of a binding agreement" (January 24). He says "The key issue is whether the legally binding collective agreement could be embodied in individual contracts of employment. If so, individual workers become liable to damages." He is right to be cautious on this interesting legal point but the matter is not really so much in doubt. A little more research into this, for some, rather complex area of contract law would reveal that there are sufficient case examples to show that enforceability of collective agreements within the individual contract is not that difficult for the employer to achieve. Whether the employer would be wise in industrial relations terms to pursue his rights against the individual employee for any breach is a moot point.

It is true that our so-called "voluntary" system of industrial relations has worked against the system of enforceability of collective agreements both at the collective and at the individual level. This ideology was evidenced at the time of the Industrial Relations Act 1971. Mr Heath's legislation declared that it was to be presumed that every collective agreement made in writing after the commencement of the 1971 Act (providing it did not contain a provision which precluded enforceability at law) would be presumed in future to be enforceable. Many employers chose to enter an exclusion clause into their collective agreements.

The suggestion that legally binding agreements are "... barely charted territory" in British industrial relations is not supported by the evidence. Perhaps Mr Murdoch's lawyers have been more astute in eliciting the evidence! Let me quote examples to illustrate my point, and to rectify any unnecessary doubts raised. Case evidence is that employers have on several occasions in the past sought to enforce a collective agreement at the individual level. In the Bradford Dyers' Association v Amalgamated Society of Dyers, Bleachers and Finishers (1926) the employers were able to show the court that the union had, with two other unions, signed an agreement which included a "no-strike" clause. It was admitted by the unions that the agreement was binding upon them. The result being that the Bradford Dyers' Association received damages—though only of a nominal kind. The employers, sensibly in my view, did not seek to gain greater redress. They believed perhaps that their interests were best served merely by making a point, from which they hoped the unions would learn.

Further evidence of employer action against an individual exists in the case of NCB v. Galley (1958). Here it was held that Mr Galley's contract expressly provided for incorporation of the NCB's agreement with Mr Galley's union. Galley, a colliery deputy, worked in part under the coal mining service agreement which obliged him to work alternative Saturday shifts. He refused to work as expected. The NCB obtained damages at the Nottingham Assizes to the extent of £100—the estimated cost to the Coal Board of lost production resulting from Galley's absence. Galley appealed and the Appeal Court reduced the damages to £3 18s 2d. The Appeal Court deciding that it was not really possible to know precisely the amount of lost production attributable to Galley's absence. The Board was quite amicable in the pursuit of its claim. It declared that it was its intention only to establish the principle that men in responsible positions must honour their contracts.

The matter of enforcement of collective agreements within the individual contract is much less vague than your correspondent suggests. At least that is my opinion. From 1980 the collective rights of workers in this country have been considerably diminished under various Acts. And if employers believe that it is now necessary for them to press the legal pedal and accelerate further the reduction of workers' rights, by seeking redress in strike situations at the individual level, this will shift the balance of power too far in the direction of the employer, and could cause a backlash.

John Kennedy,
(Senior Lecturer in Industrial Relations),
*Ealing College of Higher Education,*
*St. Mary's Road, W.5.*

# Battle to get more out of science

"I SUPPOSE you could say we've been used to doing what we wanted to do," a British academic scientist remarked the other day. We were engaged in the dominant topic of discussion among scientists—the alleged falling health of British science and whether it can be arrested by massive injections of cash.

Scientists generally, right to the top, believe that it can, and that it should. They believe that science is best performed by making enough funds available to allow the scientist to follow his chosen intellectual path, which he will then do with an exceptional fervour and dedication.

Since the Second World War, when science was clearly seen to have played a substantial role, British society has been far more generous to science than it ever had been before. For decades, the national science budget expanded steadily, in the belief that the close correlation between its application and military performance could be mirrored in the economy at large.

By the 1970s it was clear that there was no correlation between the science budget and economic performance. Politicians had paid lip-service to the idea, but had never seriously attempted to harness scientists to a major post-war economic goal, in the way the US, for example, harnessed academic scientists to its atomic bomb project.

"The party's over," one British politician has warned, but the scientists could not believe it. Much of the money was firmly committed for many years to expensive research tools and facilities such as atom-smashers and observatories.

The big commitment, moreover, was not underpinning present economic objectives. The big atom-smashers had nothing to do with the goals of the nuclear power industry. The telescopes did not support commercialisation of space. Yet such was the scale of commitment to some of the more esoteric objectives, that other areas of science of greater economic relevance to Britain—chemistry, biology, geology—found it increasingly difficult to stay at the forefront.

The scientists themselves set to work—reluctantly—to try to work out priorities and reshape the overall patterns of spending.

The five research councils which underpin academic research in Britain have striven both individually and collectively to change the traditional pattern of research funding. They are finding it uphill work as is illustrated by the failure of the Science and Engineering Research Council (Serc) to "free" more than 6 per cent of a £300m budget for all the new ideas it says it is impatient to pursue. Its own target had been to "free" 10 per cent—£30m.

Part of the problem is a widespread belief among scientists that the good times will surely return, and if only they hang on patiently a different view will prevail in Westminster.

Science worldwide is changing—far faster than many scientists have yet recognised, much less come to terms with. The cost of indulging a privileged sector of society to do just what it wishes has risen dramatically from the "string-and-sealing wax" era of the pre-war Cavendish and Clarendon laboratories.

Throughout Britain there are examples of expensive investments in superb tailor-made tools of science almost unknown to a wider world. They have been designed and specified for highly specific objectives. They could, in principle, be applied to a much wider range of problems.

Usually they are not — because the scientists who specified the tools are unaware of and unmoved by problems other than their own chosen goals.

Science is going to depend on much greater and broader utilisation of the big capital investments and the "productivity" of the tools of science will become an important yardstick in gauging future investments.

Another major change is a blurring of the traditional boundaries between the sciences. British universities have barely begun to respond. But research funding bodies are beginning to see opportunities for a dramatic impact on nationally important problems by bringing quite disparate disciplines together.

A third big change is the way in which international collaboration has become more widespread. Research has traditionally crossed international boundaries very freely. European politicians deliberately set out to harness this tradition in their effort to reunify a war-torn Europe by setting up CERN, the European centre for nuclear physics near Geneva, and other multi-national research centres.

There is no question that the principle of international collaboration in science works well, and helps to make the cost of research tools more bearable. (CERN is building a £300m machine. The mistake has been to build on this success simply by ploughing more money uncritically into the existing centres.

New multi-national centres are needed, based on different tools, for lines of research which were not seen before as "big science." Other European nations also admit freely to serious problems in funding the ideas and aspirations of their scientists. Some spend more than Britain—but some are simply richer, anyway.

My new column will examine research worldwide. It will appraise research facilities which have the potential for much wider utilisation. It will point the way to solutions which may take five years or more to make a commercial impact.

*Hugh Routledge*

**Prof Alan Leadbetter with a neutron spectrometer at the Rutherford Appleton laboratory**

**David Fishlock introduces his new column on the changing face of science. It will appear on the Technology Page on alternate Thursdays, starting this week.**

The first article, for example, looks at Isis, a world-beating neutron "microscope" designed by Serc scientists which could help Rolls-Royce design a more efficient aero-engine, or the chemical industry to understand complex fluids such as lubricants and paints.

The column will investigate projects the research councils claim they cannot afford to fund. Is there a good case to be made for starting a national centre for the study of infection, an area of disease confidently expected to disappear following the discovery of penicillin? Infection ties up one in five hospital beds, inflicts regular misery on most of us through colds and influenza, and is responsible for a bizarre new crop of diseases, including Aids.

The column will try to raise issues that the science community may be missing. Scientists rarely ask other sectors of society what are the problems they most dearly wish to solve at a fundamental level of understanding.

Here are a few ideas I have canvassed from people with executive responsibilities for the use of science:

- Why can't we talk to the machines we invent in our own, instead of an alien language?
- Why can't we raise the efficiency of photo-synthesis, nature's own energy conversion process in crops, from its present abysmally low level?
- Why, despite a huge research effort, must we still suffer cancer and colds?

The column will aim to help scientists understand better the real difficulties industry and civil servants face, and how—to quote a vice-chancellor who sees academia's problems more clearly than most — "scientific knowledge is only a part (and often a rather small part) of the innovative process and is often not on the critical path in many industries."

# FINANCIAL TIMES

Tuesday February 4 1986



## Howe says Botha's reform proposals inadequate

By Robert Mauthner, Diplomatic Correspondent, in London

SIR GEOFFREY Howe, Britain's Foreign Secretary, yesterday criticised the speech made by President P. W. Botha to the South African Parliament last Friday on ending apartheid as falling far short of what was required in the present situation.

Sir Geoffrey was addressing a two-day conference in Lusaka of European Community and African front line state foreign ministers, at which the situation in Southern Africa was the main item on the agenda. The six front line states are Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

Although he said that there were some signs of awareness on the part of the South African Government of the need for change and that Mr Botha had shown a greater insight into the direction in which South Africa should be moving, that was not enough.

Power-sharing was the central issue in South Africa and there was little indication of progress on that score. Sir Geoffrey reminded the conference of the remark by Bishop Desmond Tutu, the black leader, that citizenship was of little value if you could not vote.

Sir Geoffrey's remarks appeared to indicate a tougher attitude towards South Africa on the part of the British Government which, after Mr Botha's so-called "Rubicon" speech in Durban last August, was prepared to wait and see whether the good intentions expressed by the president would be translated into practice.

Clearly disappointed with the results of the last six months and the growing climate of violence in South Africa, Sir Geoffrey said that progress towards the dismantling of apartheid was still desperately slow in a number of essential fields.

The specific measures which should be implemented by Pretoria without delay, included:

- The lifting of the state of emergency.
- The unconditional release of Mr Nelson Mandela, the jailed African National Congress (ANC) leader and other political prisoners.
- The ending of detention without trial and the forced relocation of blacks.
- The opening of a real dialogue between Pretoria and the black community in the context of the firm commitment to end apartheid.

However, Sir Geoffrey said it would be wrong not to acknowledge some of the positive steps which Dr Botha had promised would be implemented during the next six months. These included the restoration of citizenship to urban blacks who had been previously deprived of it, freehold rights for urban blacks, the abolition of the discriminatory pass laws and the removal of discriminatory influx control measures, which restrict the blacks' freedom to live and work where they like.

Sir Geoffrey said he hoped that the removal of influx control would be implemented in the near future and that the abolition of other apartheid laws would follow speedily thereafter.

## GM's prospects improve after 14% profit fall

BY TERRY DODSWORTH IN NEW YORK

GENERAL MOTORS, the US's largest car manufacturer, suffered a 14 per cent decline in earnings last year, but accompanied the announcement of its figures yesterday with an up-beat assessment of its prospects for 1986.

With the benefit of a strong recovery in the fourth quarter of 1985, GM said that the outlook "looked good" in its principal businesses and related sectors in which it competed. It added that it believed the US industry would be nearly as strong this year as in 1985, when car and truck sales together soared to a record 15.6m units.

Net income for the full year in 1985 fell to $3.88bn, or $12.28 a share from $4.50bn or $14.27 a share in 1984, while sales rose to $96.4bn from $83.9bn.

In the fourth quarter, however, GM surprised Wall Street by generating its best quarterly profits of the year at $1.22bn, or $3.85 a share, against $868m or $2.76 a share in the same period of 1984. This earnings' increase of almost 40 per cent came from sales which rose by only 18 per cent to $24.6bn from $20.9bn, and was attributed by the company to increased volume and improved operating performance.

GM's unit sales last year jumped to 9.31m units from 8.26m in the previous year, but it was plagued throughout most of 1985 with the exceptional costs associated with a wide-ranging investment programme. In addition, the whole of the US industry was hit by the burden of financing aggressive low-interest rate promotional campaigns in the last half of the year.

Although GM said that these problems offset gains in other areas, some of the productivity gains from the investments began to come through in the final quarter. In the year as a whole the group's Credit Finance Corporation, which essentially booked the cost of the incentive campaigns to the parent company, enjoyed record profits.

## London Stock Exchange aims to attract individual investors

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE London Stock Exchange plans a campaign to encourage individuals to invest on the stock market. An internal stock-exchange committee has outlined recommendations in a report for the ruling council in an effort to attract a proportion of investors' funds currently flowing to building societies.

The move is likely to intensify competition between stockbrokers and the building societies, while the stock exchange says have been "outstandingly successful" in increasing their market share of savings.

The new initiative by the stock exchange is designed to build on the Government's privatisation programme. Before British Telecom was privatised, the report says, there were 1.8m shareholders in Britain. Now, the stock exchange estimates, there are 2.5m shareholders in the UK, representing 6 per cent of the adult population. In the US, 18 per cent of the adult population are individual shareholders.

The internal report, published yesterday, said transfer of even a modest proportion of building society savings into stock exchange investments "could have a substantial effect on the volume of individual investors' business transacted on the stock exchange." That in turn would benefit liquidity of markets and the terms of capital-raising by UK industry, the report said.

Between 1957 and 1983, according to the report, building-society share of individual savings rose from 5.5 per cent to 16.3 per cent. During the same period, market share by UK securities fell from 15.9 per cent to 12.5 per cent.

Stock-exchange officials said yesterday that, although the Government's privatisation scheme had helped to stimulate investment activity, together with growth of employee share schemes, the continuing progress of the building societies had offset many of the benefits.

The internal committee has recommended that the stock-exchange council should lobby the Government to obtain a measure of tax equality for savings in securities. The committee has recommended a number of possible schemes including a French-style "Loi-Monory" system. Under the arrangement, individuals would gain a personal tax allowance of, say, £500 to buy shares in a qualifying fund.

A marketing campaign has also been urged by the committee to encourage individuals to invest in stock exchange securities. That would aim to capture a proportion of individual savings in excess of £5,000 held in building society accounts.

The committee recommended that stockbroking firms should become more accessible through the establishment of "share shops" and greater use of electronic information networks such as Prestel. Stock-exchange procedures should be demystified through better explanation of the business of buying and selling shares.

## Bonn row over E. German visitor

BY RUPERT CORNWELL IN BONN

A FORTHCOMING visit to Bonn by Mr Horst Sindermann, president of the East German Volkskammer (parliament), threatens to provoke a fierce controversy over procedure, which, unless defused, might easily spread beyond the domain of protocol.

He is due on February 19, at the head of a parliamentary delegation for what would be the first such official visit to West Germany by the second-ranking figure in the East German leadership. His trip has long been regarded as a possible harbinger of the visit, originally set for September 1984, of the East German leader, Mr Erich Honecker.

Although Mr Sindermann is coming at the invitation of the opposition Social Democrats (SPD), Chancellor Helmut Kohl has already agreed to see him for a private meeting, unaccompanied by the delegation. The difficulty is, however, where – and indeed whether – be should meet Mr Philipp Jenninger, who as president of the Bundestag is technically his counterpart in Bonn.

Were Mr Sindermann from any other country, such an encounter would be a foregone conclusion. Parliamentary delegations from other East European nations have been given red-carpet treatment in Bonn.

But a substantial section of Herr Kohl's Christian Democrats (CDU) and their Bavarian CSU allies opposes any such meeting, especially on the premises of the Bundestag itself – on the ground that it would amount to recognition of a parliament in East Berlin.

Such hostility should not be taken lightly. Mr Jenninger himself is keen to meet Mr Sindermann. But a similar row, which pits the CDU/CSU against their liberal Free Democrat coalition partners, caused a visit planned for last year to be shelved.

Should events repeat themselves, the Bonn Government would be particularly embarrassed. In the past few days, conciliatory signals from East Germany have multiplied, with an increase in the number of its citizens allowed to migrate to the West, and evidence that East Berlin is at last, as Bonn has vainly pressed, taking steps to choke off the flood of "asylum seekers" from the Third World through East Germany into the West.

The official East German news-agency ADN reported at the weekend that with effect from February 1, immigrants from "a number of states" would be allowed transit only if they had valid entry permits to the Federal Republic.

Officials in Bonn are awaiting proof in the numbers before crying victory. But further encouragement came in a long interview in Die Zeit with Mr Honecker, granted three years after the request was first made.

Although the East German leader was predictably cautious about the timing of any journey by himself to West Germany, he left no doubt that he wants to go.

## VW-Audi tops 1985 European car sales

Continued from Page 1

help, Seat opened up its extensive dealer network to VW-Audi cars and is producing some of the West German company's models (Polo and Passat) in Spain.

More than 48,000 VW-Audi cars were sold in Spain last year to give the company an 8.4 per cent share of thet market against 5.5 per cent (28,000 cars) in 1984.

The West German group also had a big success in the price war which raged through Italy last year. Its car sales – spearheaded by the Golf – advanced by more than 56 per cent, or by 53,000, to 147,500 and its market share accelerated from 5.8 to 8.4 per cent.

VW-Audi increased sales in West Germany even though the market, the biggest in Europe, continues to be plagued by uncertainties over pollution controls.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 13 | 55 |
| Algiers | C | 12 | 54 |
| Amsterdam | C | 1 | 34 |
| Athens | S | 11 | 52 |
| Bahrain | F | 18 | 64 |
| Bangkok | S | 31 | 88 |
| Barcelona | F | 12 | 54 |
| Beirut | C | 15 | 55 |
| Belfast | C | 4 | 39 |
| Belgrade | C | 0 | 32 |
| Berlin | S | -3 | 27 |
| Biarritz | F | 8 | 46 |
| Bombay | S | 28 | 82 |
| Bordeaux | C | 5 | 41 |
| Brussels | C | 1 | 34 |
| Budapest | Sn | -2 | 28 |
| B. Aires | S | 27 | 81 |
| Cairo | C | 23 | 73 |
| Cape Town | S | 30 | 86 |
| Caracas | S | 26 | 79 |
| Casablanca | S | 13 | 55 |
| Chicago | R | 3 | 37 |
| Cologne | C | 2 | 36 |
| Copenhagen | S | 2 | 36 |
| Corfu | F | 13 | 55 |
| Dallas | — | — | — |
| Dublin | C | 4 | 39 |
| Edinburgh | S | 3 | 37 |
| Faro | S | 13 | 55 |
| Florence | F | 11 | 52 |
| Frankfurt | C | 2 | 36 |
| Funchal | S | 15 | 59 |
| Geneva | C | 1 | 34 |
| Gibraltar | F | 13 | 55 |
| Glasgow | S | 3 | 37 |
| Guernsey | C | 4 | 39 |
| Helsinki | F | -12 | 10 |
| H. Kong | C | 17 | 63 |
| Innsbruck | S | 4 | 39 |
| Inverness | C | 2 | 36 |
| Islamabad | C | 5 | 41 |
| Istanbul | Sn | 1 | 34 |
| Jakarta | R | 30 | 86 |
| Jersey | C | 4 | 39 |
| Jo'burg | F | 21 | 70 |
| Lima | S | 27 | 81 |
| Lisbon | C | 11 | 52 |
| London | C | 3 | 37 |
| Los Angeles | F | 18 | 64 |
| Luxembourg | C | 1 | 34 |
| Madrid | C | 5 | 41 |
| Majorca | F | 12 | 54 |
| Malaga | F | 13 | 55 |
| Malta | S | 15 | 59 |
| Manila | — | — | — |
| Melbourne | S | 19 | 66 |
| Mexico City | C | 24 | 75 |
| Miami | C | 24 | 75 |
| Milan | C | 5 | 41 |
| Montreal | C | -6 | 21 |
| Moscow | C | -14 | 7 |
| Munich | C | 0 | 32 |
| Nairobi | F | 29 | 84 |
| Naples | F | 13 | 55 |
| Nassau | S | 23 | 73 |
| New Delhi | S | 20 | 68 |
| New York | S | 9 | 48 |
| Nice | C | 11 | 52 |
| Nicosia | C | 13 | 55 |
| Oporto | S | 8 | 46 |
| Oslo | F | -4 | 25 |
| Paris | C | 4 | 39 |
| Peking | F | -1 | 30 |
| Prague | C | -1 | 30 |
| Reykjavik | S | 6 | 43 |
| Rhodes | S | 15 | 59 |
| Rio de J'o | C | 40 | 104 |
| Rome | F | 13 | 55 |
| Salzburg | S | 3 | 37 |
| San Francisco | F | 16 | 61 |
| Seoul | S | -7 | 19 |
| Singapore | F | 30 | 86 |
| Stockholm | S | -5 | 23 |
| Strasbourg | C | 1 | 34 |
| Sydney | C | 21 | 70 |
| Taipei | C | 17 | 63 |
| Tangier | F | 13 | 55 |
| Tel Aviv | C | 24 | 75 |
| Tenerife | F | 18 | 64 |
| Tokyo | S | 13 | 55 |
| Toronto | C | 1 | 34 |
| Tunis | S | 17 | 63 |
| Valencia | S | 12 | 54 |
| Venice | C | 5 | 41 |
| Vienna | Sn | -2 | 28 |
| Warsaw | S | -8 | 18 |
| Washington | — | — | — |
| Zurich | C | 0 | 32 |

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair H-Hail Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

## Banks poised to block Mexican credit pleas

Continued from Page 1

ing the government of President Miguel de la Madrid in instituting economic reform, but they said hints from top government officials that debt service could not proceed normally because of the oil price pressure would only make the task of raising fresh loans from a reluctant market even harder.

Today's meeting will be only an initial session to set the groundwork for more intensive negotiations still to come on Mexico's financing needs for 1986, although time is now pressing as its foreign-exchange reserves are widely thought to be running low.

Besides $10bn in interest payments on its $97bn foreign debt, Mexico also has to make principal repayments of $1.2bn to bank creditors this year, including one of $950m still held over from 1985.

Bankers say they remain vehemently opposed to any direct form of interest-rate relief such as capping or capitalisation. That would go "totally in the wrong direction," said one, as it would undermine Mexico's chances of being able to return to normal market borrowing.

More preferable would be a facility where Mexico would meet interest payments, but those would be automatically recycled in the form of fresh loans.

Even thet, however, would require positive steps on economic reform on which everything now hinges. Privately Mr Silva Herzog has told bank creditors that he is working towards an economic programme with the International Monetary Fund, but doubts remain over the Finance Minister's ability to convince his government colleagues of the acceptability of such an arrangement.

**Robert Graham adds:** Mexico has been instrumental in pushing for an emergency meeting of the 11-nation Cartagena group, which includes Latin America's main debtors. Yesterday such a meeting looked like being scheduled for Washington at the weekend.

If the meeting goes ahead, it will be the first time since the group was formed in June 1984 thet the venue has been outside Latin America. The talks are being held in Washington to take advantage of the presence of eight Latin American foreign ministers due to meet the US Secretary of State, Mr George Shultz, to discuss peace efforts in Central America. Cartagena group meetings are attended by both foreign and finance ministers.

At its last meeting in Montevideo in December, a qualified welcome was given to the Baker plan for easing Third World debt. But the group also demanded a number of concessions, including changes in the International Monetary Fund conditionality clauses, removal of trade barriers in industrialised countries and a lowering of interest rates.

## Deutsche Airbus demands swift UK decision

By David Marsh in Paris

DEUTSCHE AIRBUS, the West German partner in the four-nation Airbus Industrie airliner manufacturing consortium, has called for a speedy UK Government decision to give financial support to the latest A-330 and A-340 Airbus projects.

Mr Rolf Siebert, chief executive of Deutsche Airbus, owned by Messerschmitt-Bölkow-Blohm, said West German industry was ready to take the place of British Aerospace (BAe) in building key sections of the wings for the two new aircraft.

Mr Siebert's remarks, made in an interview in Munich underline the higher profile being taken by the West German Government and industry over the two new projects, the short-to-medium range A-330 and the long-range A-340. The Airbus Industrie supervisory board gave the industrial go-ahead for the two projects, costing a total of $2.5bn to develop, at the end of last month.

Mr Siebert said: "We really hope that we can continue co-operation with our British partners in the A-330/A-340." But if BAe, which has a 20 per cent shareholding in the consortium, failed to win financial support from the British Government, Deutsche Airbus would have the capacity to boost its role in the project to compensate, he said. The UK Government has been lukewarm over providing launching aid to BAe.

Airbus Industrie is owned 37.9 per cent each by Deutsche Airbus and Aérospatiale of France, with Casa of Spain holding the remaining 4.2 per cent.

Airbus wants a financial go-ahead from the governments of its four shareholders by the end of the year to enable the two new aircraft to enter into service from 1991.

Mr Siebert said Airbus was "firmly decided" not to allow the programme to be held up by inability of the consortium's partners to raise the necessary finance from governments.

Aérospatiale and Deutsche Airbus are each looking for up to $1bn in long-term repayable grants from their governments to finance A-330 and A-340 development. Officials at the Economic Ministry in Bonn say that political support for the new Airbus programme should ensure there is "no problem" in gaining the necessary funding. However, Deutsche Airbus will not put in any firm request for cash until around the summer.

Mr Siebert emphasised that Bonn would make its final decision on support for the new projects only after the aeroplanes proved their "economic viability" by winning launching orders. Lufthansa, West Germany's national carrier, has been pressing hard for a decision on the A-340 and is expected to make up its mind soon on a firm order. Mr Siebert said, however, that he would prefer "three good trend-setting airlines each ordering five A-340s (as launch orders) rather than just one airline ordering 15 or 20 of them."

Deutsche Airbus has been associated with British Aerospace in providing the wings for the existing wide-body A-300/A-310 aircraft. Although up to now Deutsche Airbus has mainly had responsibility for the fuselage, it is trying to increase its overall Airbus participation as part of a general bid by the German aerospace groups to move into more high-technology sectors of the industry.

## Ford may buy Austin Rover

Continued from Page 1

shortly to complete an arrangement for Austin Rover to assemble some of its cars for sale throughout Europe, and Nissan, whose new UK car assembly plant would come on stream in a much-changed competitive environment. Honda would almost certainly wish to end its association with Austin Rover if Ford moves in and would have to think again about setting up an assembly plant of its own.

Ford would have no qualms over giving the UK Government undertakings about keeping research and development capability in the UK. Its main R and D facility is already based in Britain – or about the maintenance of production capacity at something like the current levels.

Last year Ford ended with a 26.5 per cent share (485,620 cars) of the UK market and Austin Rover with nearly 18 per cent (328,000 cars). GM has doubled its penetration to 16.5 per cent in the past four years.

The addition of Austin Rover's 3.9 per cent share of the West European car markets would also give Ford, which achieved an 11.9 per cent share last year, a reasonable lead on the Volkswagen-Audi group.

## THE LEX COLUMN

# Fear of flying at Norsk

Opec rumblings yesterday were loud enough to take more than $1 off the North Sea oil price, and though sterling tried hard not to notice the noise, the currency weakened enough to bring back talk of higher base rates.

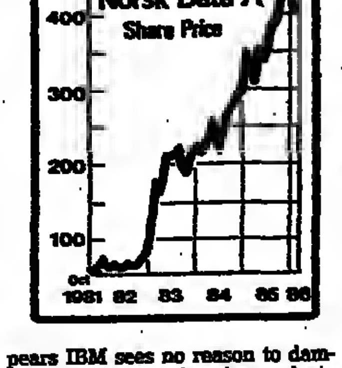
### Norsk Data

Pity poor Norsk Data. Last year, the company was so buoyant with the upward pressure on margins that it had to weigh its technicians' white coats with krone notes just to keep the profits growth down. It is sitting on orders in hand almost equivalent to last year's sales. And January's trading was, unfortunately, as marvellous as ever. It is all very awkward for a company that is haunted by the prospect of a collapse in its stock market rating when growth rates turn down.

The London and New York stock markets have got well used to a hard-luck story from Norsk Data that other companes would give their eye-teeth to tell: in the past 13 years, Norsk Data has grown its pre-tax profits at a compound rate of 60 per cent and its earnings per share, diluted by several equity issues and an employee share scheme, by just under 50 per cent. The growth may not be phenomenal for a computer company even if the staying power – forgetting IBM for a moment – certainly is; and Norsk Data has been warning for some time that it cannot go on.

But it did not happen last year and it is not going to happen this year. Profit before tax in the year to December was up 55 per cent (to NKr 360m) while turnover in the computer business rose 46 per cent; and but for the heavier increase in R & D spending – the only significant investment given the small manufacturing base – operating margins might have borne comparison with those at IBM.

Yet even the most fervent admirer of the business must sometimes be bemused by the Alice-in-Wonderland nature of Norsk Data's progress, even allowing a discount for Scandinavian blue eyes. Having maintained a highly profitable business in the US when overproduction was destroying margins at its competitors, Norsk Data's superminis are nibbling bits of market share from IBM's mainframes in Europe; and, for the moment, it appears IBM sees no reason to damage margins in its heavier products by getting out the fly-swatter.




Norsk Data believes it now has earnings and sales growth of 40 per cent in the bag for this year; but the saturation of the Scandinavian market – where Norsk Data has the edge on IBM – will leave this sort of earnings growth dependent on the UK and continental Europe and the US, where Norsk Data badly needs a distribution network. But if the decline to a more sedate level a la Nixdorf, once forecast for 1983, is delayed one more year, the multiple of 16 times this year's earnings would be very modest indeed. The London price of this delightful share rose £¾ to £39.

### Suez rights

Levels of oversubscription are notoriously hard to estimate; once the multiple applications are boiled down, the numbers tend to look less impressive. For all that, the apparent 300-fold subscription for yesterday's Compagnie Financière de Suez rights issue must come pretty high up the list of the largest sums mobilised for a single stock-market transaction; to provide facilities for FFr 270bn of stagging is not something to which the nationalised French banking system can be accustomed.

Indeed, the attempt to strike a price for the new non-voting preference shares foundered yesterday under a flood of incoming cheques; everybody will have to try again on Friday. Whatever investors may think of the new requirement to leave their money on ice for over a week, the repeat performance will no doubt prove an almost equally embarrassing success, at an unchanged offer price of FFr 75.

The Suez stock still looks a very nice gamble on the forthcoming assembly elections, with the French Government selling its rights on terms which positively invite the market to bet on an imminent swing to the right; the weight of applications clearly discounts privatisation in short order after the polls. If that calculation were to turn out badly, of course, the issue might not appear to have been quite so generously priced.

### Stock Exchange

Looking wistfully at the other places people put their savings has been a stock exchange pastime for years. When the UK tax breaks all favour investment through pension funds, and building societies win hands-down on the score of convenience, the stock market is condemned to a losing battle for the spare cash of the individual investor. On a pessimistic reading of the figures, in an average year the private investor has lately been selling £4bn of shares, putting half the proceeds into building society accounts, before dividing the rest between unit trusts and the horses.

The exchange's latest thoughts on how to get some more of the action address the problems squarely enough. Change the tax regime to shelter individual shareholdings half as comfortably as it currently deals with pension funds, advertise to "demystify" the workings of stockbrokers, and cut the cost of small bargains: all that sounds fine, though it has mostly been heard before.

Small investors will no doubt be grateful if the exchange can produce a means of cutting the cost of dealing; though on past form they will show their appreciation by executing even more sales. The key point must be whether the Government can be persuaded to add tax-gobbling Monory schemes and Keogh plans to the exchange's long-established demand for abolition of stamp duty. In any case, the exchange itself will have to make up its mind which committee to listen to; winning favour with the small investor is hard to reconcile with last week's proposals to allow larger and more frequent placings – which seem designed to minimise the number of dominoes on which private investors can take a gamble.

هكذا عن الأصل



## SECTION III

# FINANCIAL TIMES SURVEY

Contractors and housebuilders have become tougher and more imaginative in the hunt for growth and new markets

# UK Building Industry

## Radical change of approach

**By JOAN GRAY, Construction Correspondent**

A RADICAL change has swept Britain's building industry. The change has affected not so much the industry's technology as its marketing, its approach to clients, and its approach to finding funds.

"The industry has had to bite the bullet and get down to performing," said Mr Ray Mott, managing director of Fairclough.

"Jobs that used to take two years now take one-and-a-quarter. Companies are having to stick to delivery dates, and delay is no longer something we accept as inevitable."

The change is linked to the pattern of workloads in the industry. Its flat performance overall hides three strong growth areas: industrial building, commercial building, and building private houses.

This growth in private sector workloads has been coupled with a steady long-term decline in the sectors depending on government spending: civil engineering and public housing.

As a result, there is far more competition for private sector contracts. Civil engineering companies have started competing to build offices, shops and factories to make up for the shortfall in their more usual public sector work.

"We're finding increased competition from contractors we never used to run across in office building, because of the declining number of civil engineering contracts," said Mr Ian Ruperti, marketing director of Trafalgar House subsidiary Trollope and Colls, which is carrying out Norwich Union's £28.5m office redevelopment scheme at London's Fenchurch Street Station.

"One result of the increased competition is that contractors' profit margins are squeezed."

Another—which he welcomes—is that "we are also finding an increase in two-stage tendering. There is first a competitive tender list and then the final contractor is selected by interview, as the client wants to make sure he is getting the service he wants and not just the lowest price."

The decline in public sector work has not only meant that there is more competition for the work that is available, but also that clients have become increasingly demanding and increasingly strict in how they select their contractors.

The trend is typified by French Kier, which was recently taken over by C. H. Beazer. The shift in the company's work to a new emphasis on building helped fuel a 15 per cent growth in 1984, with profits rising from £14.3m to £16.3m and turnover up from £285.3m to £326.6m.

"We are known as a civil engineering company, but have had to change our business emphasis over the last two years to concentrate on building, as the amount of heavy civil engineering work in the UK has diminished," said Mr Richard Allen, French Kier Construction's managing director.

This shift—largely because of the cuts in public spending—has also meant big changes in the way the company works.

"As we get more private sector clients we get more emphasis on being able to provide a service," Mr Allen said.

"They want to be assured they will get their building on time, to know exactly what staff will be on the contract, and to make sure they have the right blend of experience and that there will be no conflicts of personalities."

The new pattern of work is likely to persist. Although the steep growth in industrial building is expected to slow in 1986 with the phasing out of capital allowances, growth prospects for commercial building — shops, offices and hotels — remain favourable.

Private housebuilding is also expected to remain one of the most lucrative niches in the business — hence contractors' enthusiasm for expanding in the sector.

Housebuilders in the past have had an advantage over contractors because they have been responsible for creating their own workloads and markets.

And despite some problems, such as a shortage of suitable sites in the South-East and declining purchasing power of the first-time buyers who fuelled growth in the early 1980s—the house builders have managed to maintain healthy profits.

Instead of building cheap starter homes, they have turned to building larger, more expensive—and more profitable—houses for second-time buyers. They have also started developing new markets by building different types of housing aimed at different market sectors.

A favourite growth sector is housing for the elderly, ranging from luxury flats at marinas on the coast to nursing homes.

And with the decline in public sector work, the tendency is for contractors to behave more like entrepreneurial housebuilders and become increasingly involved in finding funds for projects and helping to develop their own markets.

They have also had to move away from the old, almost adversarial relationships with clients.

The old pattern was that a builder would aim to get a job by quoting the lowest price and then hope to make up his money afterwards by negotiating on extras concerning details of the contract or the work or the conditions. All that has changed.

Builders have had to evolve new forms of contract and new ways of working with clients to make sure that they get the building they want, on time and within budget.

These new ways of working go under a variety of labels such as management contracting, management fee, or design and build. But they are all aimed at solving the same basic problem, that the traditional British approach to contracting gave the client poor service.

"The new forms of contract are geared to overcome the problem with traditional contracting, which was that no one person was responsible for the whole building with all the delays and conflicts that produced," said Mr Richard Hayden, divisional director of G. E. Wallis.

This company achieved a 24 per cent growth in operating profit to £1.22m in 1984, working on contracts ranging from restoring the ceiling in the House of Lords to building a new restaurant for Pizza Hut and refurbishing offices for IBM.

"We have had to adopt new types of contract and new ways of working if we build for customers such as IBM, having to work with the architects to draw up performance specifications and to short-circuit and integrate the whole system."

The importance of clients' demands in getting the standard of building they want was clearly shown in a study by the National Economic Development Office.

"We found that inexperienced customers almost invariably got a poor performance in the sense of getting their buildings slowest," said Mr Christopher Groome, secretary of Nedo's building and civil engineering committee.

"Customers invariably had to put a bigger management input into building than they had expected, and the more management effort they put in the better results they got."

Nedo's work also "scotched" the commonly held belief that faster building meant pooorer quality.

### CONTENTS



"It's not true," said Mr Groome. "Well managed projects were completed faster, at a higher quality and at a lower cost. The more clients knew what what they wanted and demanded it, the higher speed and better preformance they got."

Just as clients are taking more care in choosing their builder, so are successful builders more likely to take great care in choosing their clients.

Mr John Wiltshier, chairman of Wiltshier, has built his company up to be one of the largest privately-owned commercial building companies in Britain, with a turnover in excess of £140m.

He tries to choose customers who "identify their interests with our interests — getting a building built on budget and on time — and who know what they want.

He also chooses clients who are in growth industries, including high street companies such as Tesco and Sainsbury, insurance and property companies.

Another growth area for the industry has been refurbishing older buildings, particularly in the City of London, where great emphasis is now placed on conservation. Refurbishment can involve rebuilding completely anew behind a Victorian or older facade.

Builders have also been getting an increasing amount of work through urban development programmes, a sector the Government is keen to see expand

The industry is also getting more involved in funding projects to help create contracts.

"The industry has got to break out of its straitjacket and change its attitudes in a new world," says Mr Norman Wakefield, chairman of Y. J. Lovell, which reported that 1984 was its 10th year of growth, with profits up 41 per cent to £6.42m.

Urban redevelopment is an area to which Mr Wakefield is particularly committed. "The jewel in our crown is our partnership housing," he says.

This involves local authorities providing land at a discounted price in exchange for control over the development. The authority will usually specify a mix of houses — some for sale, some rented, and some available for people on its housing list.

Lovell built 1,000 partnership homes last year and is planning 1,500 this year.

Lovell has also adopted a fresh approach to commercial development.

"We have got to get on the same side as the client," Mr Wakefield says. His approach is to share the risks and rewards of development, "as this creates a real meeting of minds."

"This new approach has allowed us to show consistent growth while our public sector workload has dropped from 45 per cent to 5 per cent."

## UK Building Industry 2

# Sophisticated move up market

### Housebuilders

JOAN GRAY

HOUSEBUILDERS have become more sophisticated in their marketing and more aware that they must meet clients' demands. The volume builders are also moving up-market and are trying to appeal to affluent second-time buyers.

"The most important development in the housebuilding industry has been the decisive switch away from building for first-time buyers to building trade-up houses," said Mr Roger Humber, director of the House-Builders Federation.

"The starter-home market has diminished and now builders have got to persuade people to move house and to make a discretionary purchase, trading up their home as they would trade up their car or washing machine."

The trend up-market is being led by Britain's largest builders. Barratt, which now has an output of 10,000 houses a year, led the way in selling to first-time buyers but has reduced output of starter homes from a peak of 75 per cent to between 50 and 55 per cent, and is planning to cut it to only 30 per cent.

Wimpey, which runs Barratt neck and neck for the title of Britain's biggest housebuilder, with an output of 10,200 houses predicted for 1986, is cutting the proportion of starter homes from between 70 and 75 per cent to 60 per cent. Tarmac, Britain's third-largest housebuilder, is cutting its starter-home production from 60 per cent to 50 per cent.

The roots of this change lie in the diminishing power of first-time buyers to afford a new house. This has happened partly because of high unemployment, reducing spending power among younger age groups, and partly because new houses are far more expensive than secondhand ones.

According to the House Builders Federation, the gap between the price of an average new house and an average secondhand house is £4,000, taking average prices of £37,500 and £32,500 respectively. The Nationwide Building Society has also reported a widening gap between the price of old and new houses. In 1985, the average price of a new house rose by 15 per cent, compared to an average increase of 10 per cent in the price of second-hand houses.

The biggest cause of the gap between the price of a new and second-hand house is the price of land, which in the South-east accounts for around 40 per cent of the cost of a house.

This has made builders move upmarket and concentrate on building for more affluent second-time buyers.

The economic advantages of this are spelt out by Sir Lawrie Barratt, who now plans to see his company's growth and profits coming from building for the richer buyer.

The number of houses Barratt built fell from a peak of 16,000 in 1983 to 10,000 last year largely because of World in Action television programmes criticising first the method of timber-frame building he then favoured and then the resale prospects of starter homes.

But now his sales volume has fallen, Sir Lawrie has no plans for trying to increase the number of houses he builds.

He has launched a new collection of houses aimed at more affluent buyers, and the company's growth and profits in future will come from these, says Sir Lawrie. (The fact that it is called the Premier collection and Mrs Thatcher has bought one is entirely coincidental, he adds).

Selling fewer higher priced houses gives the company the benefit of reduced overheads. It now operates with 4,250 full-time staff compared with 5,500, and has saved £8m in administrative costs.

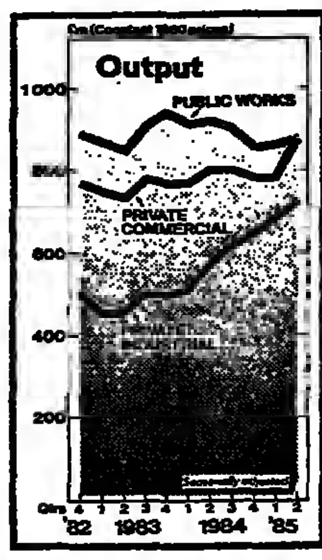
The company also benefits from the higher margins on higher priced houses. The average price of a Barratt house has already risen from £29,000 to £33,000. Sir Lawrie expects it to rise again to £40,000 this year in Britain as a whole and to between £60,000 and £70,000 in the South-east.

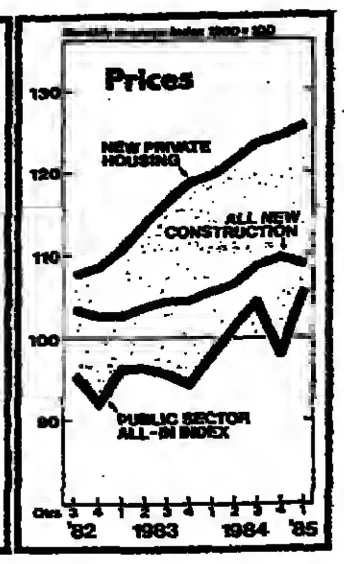
"And whereas the margin on a smaller house averages 10 to 11 per cent pretax in a good year, the margins on more upmarket houses are 12.5 per cent or more," he explained.

Barratt's Brompton Park development in London's Earl's Court, is an example of the new Barratt economics.

Built in the grounds of an old hospital—for which Barratt paid £5.5m (or £900,000 per acre of developable land), Brompton Park is a development of 317 luxurious apartments. It includes a communal leisure and fitness centre with swimming pool, sauna, solarium and gym.

At prices ranging from £47,000 for a bedsit to £170,000 for a large luxury flat Brompton Park has clocked up sales worth more than £20m.




| UK HOUSEBUILDERS (Estimated completions 1986) | |
|---|---|
| Barratt | 10,000 |
| George Wimpey | 9,600 |
| Tarmac | 5,000 |
| C. H. Beazer | 4,600 |
| Trafalgar House | 3,800 |
| Broseley | 3,000 |
| Bovis | 2,800 |
| Y. J. Lovell | 2,600 |
| John Laing | 2,100 |
| Christian Salvesen | 2,100 |
| Wilson Connolly | 2,100 |
| Bryant | 2,100 |
| Bellway | 1,700 |
| Costain | 1,700 |
| Westbury | 1,600 |
| Alfred McAlpine | 1,300 |
| SNW | 1,1?? |
| McCarthy and Stone | 1,100 |
| Croudace | 900 |
| Persimmon | 900 |
| Top Twenty | 63,300 |
| All completions (000's) | 150 |

Source: Savory Milln.

# Deep concern over scarcity

### Land supply

JOAN GRAY

STAND NEXT to almost any housebuilder, anywhere, and he will start to tell you about the Land Problem.

For the housebuilders are getting desperately worried about what they see as a shortage of building land and the high prices they have to pay, particularly in south-east England.

It is this deep concern about the availability of building land in the South-east which has fed to the bitterly controversial proposal from Consortium Developments, a group of Britain's biggest housebuilders, to build a town for 14,000 people on green belt land at Tillingham Hall on the fringes of London.

Builders tend to babble of green fields because of a deep fear that they may end up vulnerable and priced out of too much of the housing market. For high land prices mean high house prices.

Although builders are doing very nicely in the short term because they are able to solve the problem of expensive land by passing the cost on in profitable luxury homes for trade-up buyers, they are worried that this leaves them at the mercy of a largely discretionary market which can simply choose to stop buying if prices get too high.

"We are now buying not less than 40 per cent of the price of a house in the South-east in the ground, and that gives us no choice but to build high-priced houses," said Mr Terry Roydon, managing director of Prowting and secretary of the Volume House-Builders Study Group, which represents Britain's biggest builders.

"Land should be between 20 and 25 per cent of the price of a new house and then we could give buyers a better value for money and build new houses for a wider section of the market," he says.

The builders quote with horror record prices for housing land of £600,000 an acre in Amersham, Buckinghamshire, and £500,000 in the rest of the county. They estimate that land in the South-east now costs an average of between £15,000 and £20,000 a plot, and say that this makes it impossible to build cheap homes.

The high price of land is a big factor in the spiralling prices of houses in the South-east. It contributes to the great divide between the north and south which makes it so hard for people to move south to find work. House prices in South-east England have been rising at more than twice the rate of those in the north.

According to the Anglia Building Society, house prices in London and the South-east rose by between 15 per cent and 22 per cent in 1985, compared with an average of 5.4 per cent in the North.

The main cause of high rises in house prices in the South-east is a combination of high demand and shortage of supply.

The nub of the problem of land supply in the South is that it is the area where people most want to live, but also the area where there is a shortage of building land available for development and some of the greatest restraints on building.

The builders blame land shortage in the South-east on the expansion of the green belts designed to protect the countryside from development. They blame the Government for what they see as an inability to resist pressure from its conservationist supporters.

The conservationists, on the other hand, say that builders could find enough sites in the cities and on derelict land.

The Department of the Environment has details of more than 120,000 acres of derelict land in public ownership, much of it in towns, which it says could be used for house building. But the builders reply that if there really was suitable land available in cities and on sites where people would want to live they would be delighted to build on it.

The problem is complicated by a lack of hard figures. The Government has refused to set guidelines about the number of houses which need to be provided.

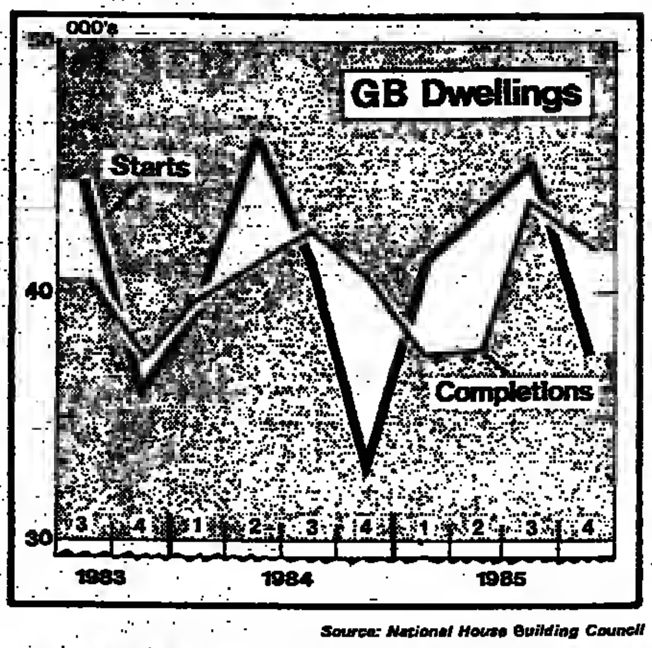
Nor can the planners or statisticians reach agreement on the number of houses needed — still less on where the land to build them on will come from.

Meanwhile, the builders accuse the Government, to quote the House-Builders Federation president Mr Graham Pye, of "presiding over a banana republic inflation in land prices."

The whole matter is left open to intense and emotional lobbying and debate. It is one of the most knotty issues the ministers at the Department of the Environment have to tackle and at the very end of last year the Secretary of State for the Environment, Mr Kenneth Baker, seemed to come firmly down on the side of the 'green' lobby.

Speaking to the assembled members of the House Builders Federation, he dashed their hopes for more land with a warning that their attempts to get land released for building in the countryside only encouraged resistance. They should turn to small in-fill sites and to the inner cities, he said.


House prices can indicate rising land costs



Source: National House Building Council

Applications to build private homes bounced surprisingly up to 167,600 last year and a figure of 150,000 is forecast in 1985. One of the main growth areas involves up-market houses with a traditional look, like the thatched Bovis homes in Milton Keynes (above).

# Nostalgic visions of a golden age

## House Styles

JOAN GRAY

TWO images illustrate the way Britain's house-building and house styles have changed.

The first is of a two-bedroom, two-bathroom bungalow with a weathervane and dovecote. The second is a landscaped curve of town houses by the Thames in now-fashionable South Chelsea (formerly Battersea) on the site of a demolished iron foundry.

The first—part of Barratt's Premier collection—illustrates the features builders are having to offer to tempt buyers into choosing a comparatively expensive new house.

The second, a Wates development, illustrates the type of sites they are turning to in their search for land. Both illustrate the return to traditional methods, materials and styles that characterises the 1980s house.

New houses are no longer flat-fronted, plain brick boxes in neat rows. They have gables, pitched roofs, ornamental windows, whole palettes of different coloured bricks, and are arranged in village, courtyard or farmyard groups.

The builders' message is that tradition sells—and sells particularly well to the up-market customers they have in mind.

"The industry is going through a 'customer is king' phase," said Mr Richard Fraser, chief executive of Westbury Homes, one of Britain's largest privately-owned housebuilders.

"We beve gone from being a production business in the early 1970s wben we could sell anything we built, to being a financing business in the late 1970s, to being a marketing business.

"Now we have got to put something on the ground that the customer really wants to buy. It is more of a fashion business than ever."

In short, since high land prices mean that buyers are having to pay up to 15 per cent more for a new house than for an old one, they bave to be convinced that they are getting something extra for their money.

"Most buyers are already adequately housed and do not have to move unless they change joh location or their families are increasing," said Mr Tom Baron, chairman of Salvesen Homes.

"And wben they do decide to move they have a much wider range of choice in the second-hand market than we can offer in house type, design and location.

"If we are to tempt them into paying a high premium for our new houses we bave to offer something they can't buy second-hand and something they haven't got in the bouse they are already living in.

"Fortunately we did such a lousy job in a sellers' market earlier that it ought not to be too difficult to produce something different and better."

So now the appearance of cottage styles and village groupings and extra bathrooms, ntility rooms and fitted kitchens is all part of builders' efforts to convince choosy purcbasers to huy expensiva new houses.

### Structural

The overwhelming impression of the bousebuilders latest offerings is of picturebook nostalgia, of an industry selling a vision of a golden age of wealthy, well-scrubbed suburban peasants, well-exercised in their home gymnasiums, well-tanned in their solaria, and well-cleaned in the jacuzzi in the ensuite bathroom.

Potton, for example, is offering a modern version of the "traditional country cottage with a roaring log fire in the inglenook and beamed ceilings in each of the cosy rooms."

And they are not just decorative beams, but real structural timber: beams by the glossy hi-tech kitchen cooker, beams in the hedroom, and heams to hang your head on by the bidet.

Another bome for the clean, green Wellington lifestyle is Charles Church's hrick-and-flint walled Keepers Cottage, built of real flints carefully mixed to give the right texture.

Even in the very real environment of the fast-expanding new city of Milton Keynes, where planners take great care to provide builders with a regular supply of cheap land tailored to projected population requirements, the picturebook image persists.

There is not a straight row of flat-fronted red brick houses in sight on the new developments, hut mixtures of brick and render, and gables and angles and tiled roofs of varying pitches, and fanlights, and stepped windows and circular windows. Down by the canal, tall houses are tricked out with bright stained wood in narrow-boat colours of hlack, red, yellow, green and bine.

There is even a development with large, new thatched houses being huilt by Bovis. They come with four bedrooms, dressing room, ensuite hathroom, family bathroom with corner bath, study, and kitchen with antique pine.

"I would never pretend we were going to build thatched homes on a great scale, but Milton Keynes Development Corporation asked us to incorporate them on an expensive development and we thought they would be marketable," said Bovis Homes chief executive Mr Philip Warner.

They have been highly marketable. No matter how picturesque their products, the builders are not living in any sort of "Tudorbethan" twilight, but talking the language of target consumer groups and products aimed as carefully at buyers as any baked bean or breakfast cereal.

"We want to service as many segments of the market as possible and are always looking for new gaps," said Wimpey Homes Mr David Eaton.

He has been looking carefully at the executive buyer, testing a prototype galleried one-bedroomed house for the bachelor Yuppies who want something with personality to reflect their lifestyle; executive family houses with jacuzzis and gymnasiums; and luxurious retirement apartments for executives in their sunshine years.

"We will build a few and then build up," said Mr Eaton. "We build a prototype and then test the limits of the market before we start building them. We are very careful to do a 'belt-and-braces' before we launch anything."

# Scramble for slice of a lucrative sector

## Housing the Elderly

JOAN GRAY

SELLING housing for the elderly has become a sophisticated business. It is no longer regarded as a single homogenous market, but a string of separate businesses which the builders hope will be worth far more by the end of the decade than the £480m conservatively predicted.

From talking simply about building private sheltered housing—small apartments with communal facilities and a warden on call—the builders are now dividing the market into first-time retirement, second retirement, luxury retirement, active retirement, tertiary retirement and even frail retirement and the provision of nursing homes.

There are more than 100 companies building housing for sale to the elderly. They include large organisations (such as McAlpine, Wates, Ideal, Laing, Wimpey and Barratt) and small local companies. McCarthy and Stone, which built the first private sheltered apartments in 1977, is now the market leader.

They are competing for what they hope will be an enormous market. According to Mr Malcolm Parry, of the University of Surrey, who has specialised in research on housing for the elderly: "We are predicting a total market of between 250,000 and 400,000 units by the end of the century."

"This would need a development rate of 15,000 units a year to satisfy the demand and we are nowhere near that."

Britain's ageing population makes building for the elderly an almost automatic growing market, as well as being a highly lucrative one.

"Building for the elderly is very profitable," said Mr Parry. "Unlike first-time buyers, they have already got a valuable asset to trade in—their own house. They also do not need a mortgage, and because they do not need so many car-parking spaces you can build at greater density."

But he warns that building for the elderly is a difficult market and you have to get it just right. "Builders will make mistakes by building in the wrong place, and there is now fierce competition for suitable plots," he says.

The competition for suitable, pleasant sites on flat ground and near shops and public transport has forced prices up. Speyhawk's newly-established retirement housing company, Osprey, probably holds the record, having paid £1.09m for the site of its first block of 36 luxury apartments for "gracious retirement" in London's affluent Golders Green.

"We identified a tremendous gap right at the top of the market," said Ms Julie Macey, general manager of Osprey management company, which plans to build 500 luxury retirement homes a year by 1988.

Golders Green is its first development. The resident house secretary has instructions from Osprey to run the hlock like a London club, and will book theatre tickets as well as give medical advice.

The block has a communal lounge with bar, bridge table, and a small room which can he used for therapy or hairdressing.

### Serviced

Osprey has already started work on its next hlock, in Newquay, Cornwall. It is also planning a development in Marlborough, where it will build a group of retirement cottages complete with a pottery workshop for the residents.

Osprey is not alone in deciding to go for the top of the market. Both Barratt and Wimpey have also decided to build for the richer retired.

According to Mr Peter Marmot, of Sheltered Housing Services, the first national estate agency to specialise in retirement housing: "The market is moving away from the initial requirement of sheltered housing for sale to frail ladies."

"The builders are now concentrating on a broad range of people in their 60's trading down their houses for secure serviced apartments with no need to worry about repairs or gardening."

The luxury retirement builders have been joined by the market pioneers McCarthy and Stone, which already has some 3,000 small sheltered apartments under construction.

"But we have decided to build luxury flats as well as more basic units, to tap the market from people who come from houses with gold taps and would like one of our apartments if we could meet that standard," says Mr John McCarthy, the chairman.

McCarthy and Stone is also investing £16m in its newly-launched Homelife Care division to provide four star nursing homes. The company plans to build up to six nursing home developments a year, aimed at the estimated 500,000 people who can afford to pay more than £200 a week for residential care.

This will enable the company to fill a market gap for more luxurious nursing homes, said Mr McCarthy. "It will also enable us to answer the question of what happens when our elderly residents get too frail for sheltered housing."

The Homelife developments will offer a combination of sheltered housing, residential accomodation and full nursing home facilities all on the same site.

McCarthy and Stone is not the only builder to provide nursing homes as the next step. Declan Kelly is also including nursing homes as the next step. Declan Its developments, and plans to build in o ratio of one nursing home for every 100 flats.

**Projected markets for private sheltered housing for the elderly, 1983-1990**

| Year† | Total sheltered units sold | Total market in £m |
|---|---|---|
| 1983 | 1,500 | 37.5 |
| 1984 | 2,000 | 53.0 |
| 1985 | 3,000 | 84.0 |
| 1986 | 5,000 | 148.0 |
| 1987 | 7,000 | 220.0 |
| 1988 | 9,000 | 300.0 |
| 1989 | 11,000 | 385.0 |
| 1990 | 13,000 | 480.0 |

† Total sales 1978-82=1,000 units. Figures prepared by the Housebuilders Federation.

# Selling moves into fashion

## Building Materials

JOAN GRAY

IN A reflection of the trend sweeping the whole building industry, Britain's most successful building materials companies have been forced to start thinking of themselves as manufacturers and marketers of vogue products, not just producers of basic commodities.

But growing fashion-consciousness is only part of the story. For manufacturers of the more basic products — common bricks, sand, gravel or cement—have been particularly hard hit by cuts in Government spending on housing and civil engineering projects. And they have little scope for flashy marketing.

So the successful companies have also invested heavily in new plant to cut labour and fuel costs, and have cut out unproductive capacity as well as expanding into new markets.

"The industry has not grown overall because of the problems of the construction industry," said Mr Nigel Chaldecott, director general of the National Council of Building Material Producers. "But it has kept its profits up by rationalising plant and reducing labour forces."

The pattern of heavy investment in new plant is seen throughout the materials industry. For example, Blue Circle, Britain's largest cement manufacturer, decided to invest £60m modernising plants at Cauldon and Dunbar to give savings on production costs of 10 per cent, while British Gypsum has spent more than £33.5m on an automated plasterboard factory at East Leake in Leicestershire.

Redland has invested £25m in replacing and updating its concrete roof tile plants, and ARC has spent £5m on one automated quarry at Whitwick near Coalville in Leicestershire.

The brick makers have spent more than £60m in improving production over the past 18 months. These include Blockleys, which has invested £9m in plant to produce its simulated hand-made bricks.

George Armitage has built a new £7.5m factory to make Nori bricks (so named because an apprentice, preparing moulds for the iron-hard clay in the last century, got the name the wrong way round).

Redland has spent £5m adding 50m bricks a year to its capacity.

One of the biggest investments is Steetley's £11m Parkhouse brick plant, which clearly illustrates the new economics of brick making. Parkhouse will turn out 50m bricks a year and give major savings in production costs, explained Mr Richard Miles, Steetley Brick chairman.

"Ten years ago Steetley made 129,000 bricks per man year; in 1984 we made bricks at the rate of 350,000 per man year. With Parkhouse we make 1m bricks a man year, eight times better than the company's average 10 years ago," he said.

The brick market has shifted away from the basic common fletton bricks to higher quality facing bricks.

This shift has been caused by commercial housebuilders demand for distinctive bricks of character for their larger and more upmarket new houses, and by the architects' preference for high-quality bricks for offices and shopping centres. As a result of this changing pattern of demand, bricks have become a vogue fashion product, and the ratio of common bricks to facing bricks sold has shifted over the decade from 47:53 in 1975 to 29:71.

The building materials producers have latched on to the importance of marketing in a big way. Two of the most spectacular industry-wide campaigns have been from the Brick Development Association (promoting brick for a beautiful Britain) and from the concrete block manufacturers.

Their concerted attack on timber-frame housing under the title of the Campaign for Traditional Housing has almost managed to kill timber-frame building for mass-market housing in Britain.

### Blocks

These industry-wide campaigns have been backed up by vigorous efforts by the companies concerned — of which concrete blockmaker Thermalite's promotional efforts deserve some sort of prize for sheer verve.

Thermalite managed to engage the first man on the moon, Neil Armstrong, to speak at a lunch inaugurating the company's "lift off" campaign to extol the virtues of its lightweight concrete blocks.

Mr Armstrong may have refused to speak directly about the virtues of such blocks, but he was there nonetheless; and the company managed to run a competition for builders and builders merchants with a trip to Florida as the prize, complete with a promise of a grandstand seat at the launch of the space shuttle.

Among the brickmakers, Ibstock Johnsen was the industry's marketing pioneer. The company offered nothing so flashy as a spaceman but a specialist service for producing almost any brick a client wanted and help with designing buildings in brick.

Ibstock has produced bricks embellished with Tudor roses, bricks for arches and corners, bricks for coloured patterns, and twisted bricks for recreating Elizabethan barleystick chimneys.

Putting a new emphasis on marketing or offering special products is a little harder for manufacturers of such basic commodities as sand and gravel or cement.

In these sectors, faced with sluggish demand caused by construction cutbacks at home, several of the major companies have turned to the U.S. for growth.

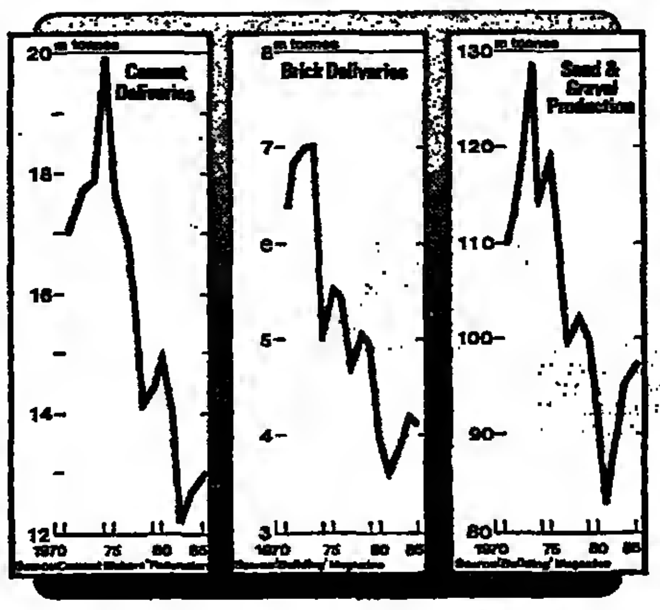
Big ventures into the U.S. in the last year include Tarmac's £65.7m ($79.3m) purchase of the Florida quarries of the U.S. cement producer Lone Star, and Blue Circle's purchase of Atlantic Cement for £120m ($145m) followed by the takeover of ready-mixed concrete company Williams Bros in Atlanta.

RMC, ARC and Redland are also expanding in the US.

Rugby Portland made two attempts in the past year to escape from the UK cement business. First, it bought a British joinery company, John Carr, for £64.6m and then paid $12m for the Addison Corporation, a US manufacturer of timber and joinery products based in Atlanta.

Cement is not one of the most sparkling sectors of Britain's building materials industry. Demand is hard to influence, and prices are set by a cartel of the three big producers—Blue Circle, Rugby Portland and Rio Tinto Zinc.

The cement manufacturers are much worried by the prospect of the imports of cheap foreign cement, although these have so far stabilised at a very small percentage of the UK market.




The big builders have cut output of timber-frame housing, but the method is still popular at the top end of the market

# To the manors warmly reborn

## Timber Frame

JOAN GRAY

TIMBER-FRAME housing remains one of the most controversial issues in building in Britain.

After a television programme by the World in Action team showing damp and rotting timber-frame houses and timbers lying in pools of water on building sites, buyers panicked and mass-market sales disappeared.

Total timber-frame sales tumbled from 23 per cent of houses built in Great Britain at the end of 1982 to 9 per cent last year.

The big builders have cut output of timber-frame houses, even though they like this method of building for its speed and the warm, well insulated, houses it produces.

Barratt has cut its output of timber-frame houses from 54 per cent to virtually nil; Wimpey has cut it from 65 per cent to around 40 per cent.

Although mass-market sales have gone, this method of building—which uses a timber frame for the structure of the house rather than the brick or concrete blocks more usual in England — is enjoying a new popularity at the top of the market among the sort of buyer who wants a warm and modern manor house.

Guildway, the market leader in Britain, is producing 1,500 timber-frame houses a year selling at up to £400,000 in the South-east. It includes among its customers a Kuwaiti sheikh, an African chief, a Bishop, a countess and a judge.

Medina, also a British company, has managed to build its sales back to the level before the World in Action scare, once again by concentrating on selling up-market.

Two Scandinavian companies have also managed to gain timber-frame sales in Britain.

Copenhagen House, which is planning to sell 50 luxury houses in Britain a year from a range which includes a version of Anne Hathaway's cottage and a Georgian country manor, managed to sell a dozen in the UK last year.

Myresjo—the Swedish company which prides itself on the sort of workmanship that demands that all the slots in all the screw heads line up with each other and with the grain of the wood—sold 30 developments of its luxurious houses, worth £1m, in Britain last year.

The company is planning to sell between 50 and 100 developments a year, all to be built by carefully selected local builders.

The rise and fall of timber frame is an object lesson in the new marketing consciousness of the industry. For timber-frame building has been the focus of a carefully-orchestrated campaign organised by the concrete block makers.

Worried about their falling sales because of the growing number of timber-frame houses, the block-makers organised a "campaign for traditional housing," stressing consumers' "right to know" how their houses were built.

The efforts of 90 suppliers to the timber-frame industry to win back market share with a rival campaign extolling the virtues of brick and timber houses, with pictures of substantial Tudor buildings and Old Testament quotations about building temples out of timber, have so far been unsuccessful.


The concrete block-makers got in first, and are delighted with their success.

"Every percentage point by which sales of timber frame houses rose cost the block industry another £1m," explained Mr John Metcalfe, director of the British Pre-Cast Concrete Federation.

"And now timber frame housing has come down we are happy because every percentage point it goes down is another £1m for the block industry."

Although building societies such as the Halifax and the Anglia say that properly constructed timber-frame houses are acceptable as security for loans, and the National House Building Council has not reported any great incidence of claims under its guarantee scheme, the method remains tainted by criticism.

The problem was not helped by a leaked report from the Government's Building Research Establishment earlier this year. This said that timber-frame housing built in Britain contained "potentially disastrous" flaws and significant faults relating to "strength and stability, weathertightness, fire and durability."

The faults arose mainly from the design (36 per cent) and from building on site (49 per cent). The most common design faults simply reflected "lack of adequate forethought," the report said.

Designers often did not pay sufficient attention to making sure that the houses could be built easily, particularly by British workmen who might be unaccustomed to the technique.

The main problem is that "details which in masonry construction can be made good with a trowel and mortar, in timber frame are more likely to demand accurate scribing and fitting," it said.

The difficulty was compounded by the fact that site workers were often not trained to appreciate the accuracy needed.

"Accustomed to cutting and modifying to accommodate subsequent work, they were perhaps unaware that timber-frame construction might be less tolerant of such practices."

This last comment encapsulates the whole problem: it is not that timber frame is any less good a method of building than the brick-and-block methods more commonly used in Britain. It is just that it is more sensitive and must be used by a carefully trained and well-supervised workforce.









# Squeezing more out of the industry

## Management Contracting

MIRA BAR-HILLEL

IT IS a very unusual project that can begin operating on the day scheduled at its inception—and within budget—according to Mr Foy Meyer of the Coca-Cola Company.

"Our project in Durham is the only one to do so in my experience," he says, talking about a factory provided on a design-and-build basis by IDC Group.

Another project is described as "an outstanding example of industrial architecture and building," by Mr Frank Edwards, managing director of Findus Foods. "The contractor completed five months ahead of schedule and their efforts have been quite remarkable."

The factory, for the production of 20,000 tonnes a year of food products was also a design-and-build package, this time by Shepherd of York.

The system is growing in popularity to such a degree that major contractors whose main workload has been traditional contracting have set up design-and-build divisions. They include Wimpey, Costain, Laing, Mowlem and several Trafalgar House companies.

Their market share is probably made up largely of people who have had their fingers burnt on a traditional contract that went awry.

One of the problems in assessing building procurement involves definitions. As the management input factor in the building process has become recognised as of crucial importance, the number of variations and permutations is now so large as to be confusing and off-putting to the end user.

The list includes: traditional contracting (sequential and accelerated); management contracting); design and manage (by either contractor or consultant); develop and construct; and design and build (either direct or competitive).

Attempts to define the various titles are further confused by disagreement over details. And to cap it all, there is the concept of project management, which can be part of some of the above or additional to it.

For example, the Swan and Edgar store conversion into Centre at the Circus (Piccadilly) was done using John Lelliott as management contractors, with the work let out in dozens of packages to other contractors. However, in overall charge was the representative of Michael Laurie, a chartered surveyor, who was the client's representative.

Companies which specialise in project management like PMI International will guide the client on which contracting route to choose but will ultimately manage whatever the decision brings. This means the industry is moving from suffering too little management input to risking a surfeit. Architects, quantity surveyors and other chartered surveyors are fighting over this plum role as it involves supremacy in the building team.

### Guaranteed

It is not clear which of the many methods will survive tests of time. But with a few notable exceptions like bespoke prestige office buildings (the Hongkong and Shanghai Bank, for instance overran its budget by many times) clients will go for two things:

- A contract arrangement where there is the one proverbial bottom to kick.
- Guaranteed maximum prices and preferably guaranteed completion times.

The former comes in many different wordings but is nevertheless clear. Mr Jim Thornton of Ashby and Horner Team Contracts calls it "single-point responsibility," while Mr Peter Jex of Wiltshier's variation is "a single source of responsibility." The contrast is with the old system, condemned by the British Property Federation two years ago for being "outmoded, generating difference and argument."

The second demand comes out of the first. There is more evidence that the building industry can guarantee prices and times, although it may still require both sticks and carrots.

For instance, the £20m Nissan factory being built at Washington New Town by Sir Robert McAlpine, with quantity surveyors Turner and Townsend as project managers and cost controllers, the main stick is the level of late completion penalties of £50,000 a week.

This stick meant that when the contract was let down by a specialist steel subcontractor what could have been a three-month delay (with the blame passed round while little got done) was absorbed into the programme.

"We are on programme for time, value and cost," says Mr Akira Shimanuki, Nissan's resident senior engineering adviser.

According to Mr Geoffrey Townsend, former president of the Royal Institute of Chartered Surveyors and a quantity surveyor, given the client's requirements of time and cost "traditional UK methods of tender procurement were not even worthy of serious consideration."

### Complicated

While design-and-build packages are probably suitable for most industrial buildings and most modest commercial ones, while traditional architect-led contracts suite one-off design-based projects, management contracting can come into its own on schemes which are very large, complicated and have a substantial engineering content.

A case in point is Heathrow Airport Terminal Four, which has received the 1985 European Design Award for constructional steelwork. The complexity of this effort meant that not only was there considerable management input from the client, the British Airports Authority, but Taylor Woodrow were retained to manage alongside architects Scott Brownrigg and Turner and structural engineers Scott Wilson Kirkpatrick.

The Scottish Exhibition and Conference Centre at Queens Dock, Glasgow, a project costing almost £35m, began as a twinkle in the eye of the Scottish Development Agency in 1978. The project has been complicated by needing expensive site works to prepare the ground and by a complex funding arrangement, including several local authorities and about £7m from the private sector.

Bovis was chosen as management contractors and the design team was appointed after this selection rather than the other way round. James Parr and Partners were the architects. Thorburn Associates civil and structural engineers and Turner and Townsend won the quantity surveying role.

The first booking was taken for a trade show on September 8, so late completion was never contemplated. Indeed, once site preparations were complete the building works for five interlinked halls totalling 20,000 sq mtres of exhibition area out of a 33,000 sq metres total area took just over two years.

These examples support the claim that there is nothing inherently faulty with the UK building industry that a large dose of sensible management will not cure.

Terminal 4 at Heathrow Airport was the largest management contract in Europe

# Seven basic steps to time-saving

## Nedo Report

MIRA BAR-HILLEL

CONSTRUCTION times on new industrial buildings can be halved, at least, when company directors have an understanding of how to use the available building skills. This is the conclusion, resulting from its research, reached by the Building Economic Development Committee of Nedo.

Sir Monty Finniston, the building EDC chairman, also heads the Industrial Building Bureau (IBB) which campaigns along the same lines to encourage industrialists to invest in renewing or modernising their premises as a way of improving productivity and overall economic performance.

He has recently gained the support of the Department of Industry. And Junior Minister, Mr John Butcher, launched a campaign to improve industrial building efficiency. The campaign shares its name with a Nedo publication, Thinking about Building, which is a customers' guide to getting the most out of the industry.

"Research has shown clearly that we have the design, management end construction skills to match those of any other country," says Sir Monty. "But the British building industry has been slow to define and communicate its services in a clear, straightforward manner."

In fact the British building industry has not performed impressively and the new campaign is intended to teach customers how to persuade it to do better.

Thinking about Building is subtitled "A successful business customer's guide to using the construction industry." It explains clearly and briefly what people should know—or find out — before commissioning a building.

"New industrial buildings can rarely be standard items; refurbishments never are. The evidence is that you get out what you put in," the guide says.

The secret of halving construction times begins with following seven basic steps outlined by Nedo and based on its research.

Selecting an in-house project executive is important, and organisations which build regularly have people with sound project management skills. If such a person is available full-time for a project, be should be given the task. Even if not, an in-house executive is still needed to act in support of outside consultants. A single person for external contact and decisions is a proven aid to efficient action, says Nedo.

Appointment of a principal adviser is useful for companies which do not have in-house skills and resources to run a building project. The quality of this adviser will be crucial.

Nedo is cautious about naming the profession most suitable for this "principal adviser" role: it mentions architects, quantity surveyors, engineers, specialist project managers and even contracting companies "with management and design as well as construction skills."

Speedy and efficient building work is aided by good planning and briefing. The worst enemy of rapid construction is usually a client who keeps changing his mind. But Nedo acknowledges that a customer may start by preparing the specification for a building or remodelling it to fit existing activities only to find that he has discovered the possibility of productive changes. Good briefing should allow for flexibility without causing disruption or delay.

Although average construction times are a lot longer in the UK than in the US, and many Continental countries, there is evidence that this need not be so and that UK contracting at its best will match that achieved overseas. But it is up to the customer to insist on speed without impairing quality or paying extra for it.

When procuring materials members of the industry can team up in various ways, the guide says. In reality, alternative forms of procurement are competing for market shares. The stakes are high and Nedo cannot be blamed for sitting on the fence. It does, however, make a commendable effort to define the various approaches.

It is the quality of the people the companies employ that ultimately decide the success or failure of a building project. As with the principal adviser, the quoted price is not necessarily the best guide to selection. Individual qualities—and the right interaction—are essential. It is also essential to involve the contractor in discussions from the earliest stages.

Earlier Nedo research, published in Faster Building For Industry, revealed that delays often result when clients designate a site or building for remodelling before it has been professionally surveyed and appraised.

Before launching its campaign to customers Nedo gave early notice to the building industry to prepare both consultants and contractors for what it hopes will be a surge in inquiries and demand for building services. Advice to professionals is complementary to that offered to clients.

It is helpful for a builder to offer his services as "principal adviser," be prepared to fill management gaps in the client's organisation and be able to follow on the client's preferred procurement methods. He should try to simplify his customer's dealings with the building industry.

Nedo says: "Develop the ability to give your client the speed he wants by adopting design principles which are both buildable and refusable. Concentrate your efforts in locations you can readily service and where you are familiar with local contractors and specialists."



JOAN GRAY reports on a fast contract

# Hot-pace hotpot

THE NEW approach of the building industry was illustrated when Hewlett Packard wanted a new computer centre near Manchester—and fast.

The company chose Bovis, part of P & O, which also has contracts ranging from refurbishing Jaeger shops to the first two phases of the £300m redevelopment of London's Liverpool Street and Broad Street stations.

"We chose them because they convinced us they could put the right team together for the job. Management contracting is about people," said Mr Tony Thomson, Hewlett Packard's UK property manager.

"They convinced us they would be committed to the job, be on the same side as us, and get it finished in time."

The job was finished, in spite of bitter weather, on time for company and civic dignitaries to be treated to a Lancashire hotpot and champagne reception.

"Like all computer companies they tend to be very demanding. Because they are in such a successful industry they see no reason why your success shouldn't be on a par with theirs," said Bovis project manager Mr Cliff Harrison.

**Alastair Guild** on new designs and materials demanded by developers and occupiers

# New light cast on soulless monoliths

## Shopping Centres

SHOPPING CENTRES are no longer the soulless monoliths they were in the *1950s* and 1960s. They are intended instead to be pleasurable places to be, not just to shop. At the same time, more attention is being paid to their overall context.

According to Ms Nedine Beddington, an architect and author of *Design for Shopping Centres*: "One of the most important trends is towards the use of daylight in covered centres. The refurbishment of centres built in the 1960s is also allowing daylight through as part of a drive towards energy conservation and the desire of shoppers to have contact with the outside world.

"There is a striking contrast between earlier dull or environmentally insensitive UK centres and recently completed examples such as the Queensgate Peterborough and Cameron Toll, Edinburgh." To these can be added developments in Basildon's town centre.

Part of the design philosophy in Peterborough was to preserve and restore old buildings and to blend the old with the new. The exterior of the shopping centre is finished in Ancaster and Clipsham stone on frontages nearest the cathedral, handmade facing bricks on all the others, with tinted glass and lead-clad mansard roof. All the squares and the two-level mall have natural light and high ceilings *finished* with sprayed acoustic plaster.

Cream Jura marble was used with Onciato Travertine to pave the malls and squares throughout the centre. The pools and seating areas in the main squares are edged with Baltic brown granite. Pilasters between the shop fronts are clad in stainless steel.

If the primary objective of a shopping centre is profitably to improve the quality of life of customers, then, said Ms Beddington, Peterborough has achieved it, "largely by the adoption of the transatlantic design approach backed by research.

"It is entered from two levels, the street discharging into the lower level, whila the multi-level car park and the bus station ere connected by an excitingly designed glazed enclosure discharging directly into the upper mall. On entering there is immadiate impact. One has entered a world of activity, interest, excitement, an atmosphere equivalent to that of many sophisticated transatlantic centres."

Unlike Peterborough, Basildon's town centre is far from *historic*. It *was built in the* 1950s and is already showing its age. So it is hoped that the high standard of facilities set by a recently completed shopping mall will help uplift standards in the existing Town Square.

### Award

Basildon's town centre expansion is similarly based on developments in North America. Incorporating a large department store as a focal point at one end, the mall offers shopping on two main levels throughout its length and opens out into an atrium at the department store entrance. Complemented by generous planting schemes, the mall is intended to provide an attractive shopping environment. It will also offer a variety of entertainment facilities well outside normal shopping hours.

Basildon Development Corporation has firm plans to link the new covered mall to the existing Town Square to form the largest undercover shopping centre in Europe, with nearly 2m sq ft of retail space. The *square would* be *permanently* roofed over with a lightweight fabric roof of Teflon coated glass fibre. The proposal includes the building of three glass pavilions housing up to 24 shops and three restaurants on two levels.

Cameron Toll, the winner of last year's International Council for Shopping Centres award for the best large centre, is built in yet another environmental context, different from both Peterborough and Basildon. Cameron Toll's situation is more rural than urban, with a major planning constraint, after a public inquiry, being the *retention of a walkway which* follows the path of a burn through the site and is part of an historical walkway traversing the south of Edinburgh.

The planning authority insisted also that no working part, such as service yards or roof mounted equipment should be seen from any of the roads or housing that overlook the development; and the centre was to have the minimum visual *impact on nearby residents.*

The concept that arose out of the developer's brief for a "highly commercial shopping *centre with* an *outstanding* architectural statement" was a multi-faceted translucent building in a heavily landscaped setting.

The external profile of the building is a toughened glass skin which encloses the building and floats above a facing brick podium with a constant ridge line at 11 metres affording e visual screen to the roof mounted equipment.

The V moulding of the glazed facade enabled the architects to extend the upper glazed surface down over mall entrances and loading bays to form canopies.

Gilbert Ash, the developers, concerned with the image of the building at night, appointed lighting consultants, Lighting Design Partnership, to produce an effect in darkness equal to or exceeding the visual effect in daylight. LDP's suggestion was to *flood* the *brick podium* with light so that the glass envelope floated over it and to install a thin red neon line all around the mid-point of the glazing which folded down the mitres at entrances to form the logo "Cameron Toll" above each.

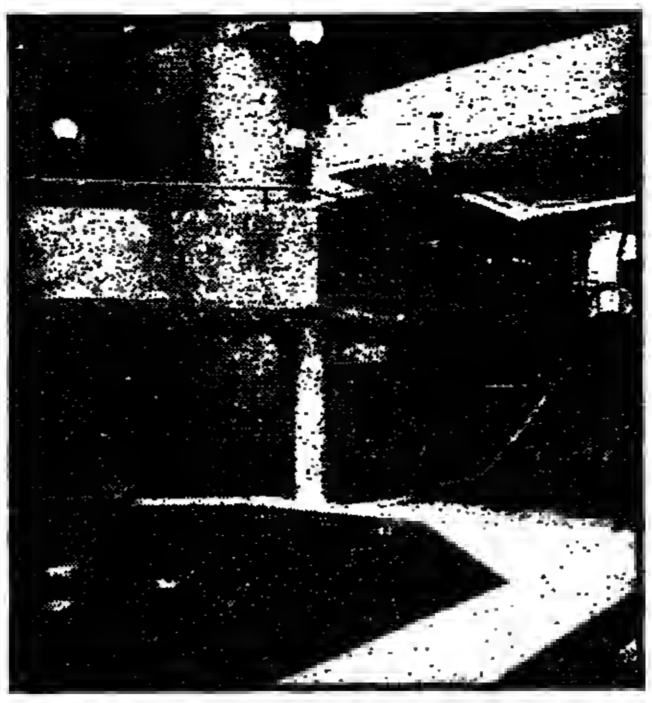
To achieve the optimum solution for the mall design, Gilbert Ash asked international designers to submit their proposals. From the submissions, DI Design in Toronto were briefed to prepare proposals on the concept of a shopping street.

SavaCentre occupies about 50 per cent of the retail content of Cameron Toll and yet presents only 16 metre frontage to the mall. So the mall itself is not extensive considering the gross footage *of* the centre. DI Design were asked to consider the visual extension of the *volume of the mall while* reflecting the character of the external appearance of the building.

The mall concept uses reflective surfaces both vertically and on sloping mall ceilings to extend the visual volume of the area and reflect the lighting, colour and activity in the centre. The reflective walls and ceilings of the mall are highlighted by twinkler lighting in the ceilings and in the mature trees which line the mall, linking the internal environment to the external through landscape.

The entire mall lighting is controlled by computer, which adjusts the lighting through the day according to the daylight penetrating the mall from the overhead cupola.

The umbrellas of the restaurant, which overlooks the heavily landscaped mall centre, are festooned with twinkler lights. These reflect in the mirrored walls along with the movement of people and the green of the landscape.



Demand for high-quality refurbishing of blocks like Triton Court, north of the City, have stimulated specialists like Critall Techtonic

# Growth in spare spaces

**The rapid decline in British manufacturing industry over recent years has made itself felt on the building industry, too. Increased stress has been placed on policies to help small firms to grow; at the same time a legacy of vast industrial structures for which there is no obvious demand has been left behind. A study in the mill towns of Lancashire and Yorkshire, for example, identified some 30m sq ft of vacant space.**

**Small businesses are one solution to the problem of re-using redundant buildings. Other opportunities also exist, however, to help small companies to grow and to stop valuable buildings going to waste, says Business Research Trust in its study *Putting Space to Work.***

**The authors, Howard Green and Paul Foley, focus on the potential for companies still in business to let space they no longer need.**

**"Perhaps the most important conclusion of the survey is that very few firms think they have spare space and therefore do not consider they have the opportunity," says Mr Green. "The relief of rates on empty premises is reducing the pressure to do anything. Yet not only can the letting out of spare space yield a useful income, but, from the tenants' point of view, it can provide a far more supportive environment than a self-contained unit on an anonymous new industrial estate. It is also much cheaper."**

**The return on money invested in subdividing property, in the study, averaged 144 per cent during the first year. For some companies, where little building work or refurbishment was required, rewards were even higher. Income from subdivision assisted company cashflow and in some cases made a substantial contribution to the survival of the business. The costs of subdivision were around £1.39 per sq ft against £25 for newly constructed premises.**

**"The time has come for a government-backed campaign to disseminate information about the different approaches to accommodating small firms, combined with a review of ways of relaxing some of the constraints that stop businesses putting spare space to good use," says Mr Green.**

**At the same time, local authorities could play a useful role in undertaking or commissioning feasibility studies in association with the growing number of local enterprise agencies and trusts. Such studies could also help to "package" finance for conversion from the various sources now available, including the EEC.**

**Mr Green runs a workshop at Leeds Polytechnic designed to show how redundant floorspace can offer potential as a home for small businesses. The emphasis of the workshop is on the practical side of the problem of re-use, with talks on problems and methods involved in conversions.**

# Designs blend into the landscape

## Industry and Offices

FLEXIBILITY IS now the key to the design of most industrial and commercial buildings. Commercial buildings also have had to blend increasingly with the environment around them.

In Wales, for example where new industrial building is now at a much reduced level compared with recent years, the Welsh Development Agency has moved away from the provision of standard factories. Particular attention is being given to eaves height, office content, and external appearance. For the new large units of between 10,000 sq ft and 25,000 sq ft, the £2.50 per sq ft threshold is expected to be crossed for the first time in south-east Wales.

Developments are well advanced for the first high-tech speculative buildings by the agency. The developments, at Cardiff, Deeside, Newport and Swansea, are designed to be adaptable for a wide range of uses from offices to production.

In the commercial sector, generally, there is a demand for buildings which are both flexible in their use and environmentally sensitive. That is a particularly important factor as more large companies locate main offices away from town centres.

One example is the design of the new head office for Amersham International on a site in Little Chalfont, Buckinghamshire. The company's objective was to realise the production potential of its nearby campus by moving out key administrative functions.

The design team, including architects Percy Thomas Partnership, had to provide a suitable image for a prestige office block within the constraints of a modest urban site.

The two-storey, rectangular building suspended over a semi-basement car park makes use of the falling ground level to present a low aspect to the centre of Little Chalfont. Local bricks and grey slate pitched roofs help the building, constructed by management contractors Higgs and Hill, to blend with its surroundings. From the outset, Amersham worked closely not only with the architects but also the interior designers, Baker Sayer, to achieve a consistency of approach.

The same degree of environmental sensitivity and flexibility has been sought by the Sidney Kaye Firmin Partnership in its design for the Rank Xerox headquarters being built in a semi-rural area on the outskirts of Marlow.

The building has been planned to a maximum of ground floor plus three upper floor levels, around a number of internal courtyards, with each floor level stepping back from the perimeter of the floor below in pyramid fashion. The highest point of the building is approximately in the centre of the development and furthest away from neighbouring properties. The use of sloping roofs gives the building externally an essentially domestic and rural character.

The office areas are planned on a 1.2 metre module to suit either open plan or cellular office configuration. All areas will be finished with fully accessible raised floor and ceiling.

The idea of integrating with local surroundings is not, however, being followed slavishly. The Herman Miller factory comes as something of a shock. It is a bright blue high-tech box in the heart of a rural area near Chippenham, Wiltshire.

However, the unit is nothing if not adaptable. "The company is interested in the whole concept of flexibility," says Nicholas Grimshaw of Nicholas Grimshaw and Partners, the architects. The office furniture system made by Herman Miller, known as Action Office, is based on users being able to change them as frequently as changing needs demand. "They were very interested in the concept of constructing a building which would somehow reflect their own philosophy," says Mr Grimshaw.

Window panels, door panels, loading doors and ventilation inlets can all be moved. Services such as the electrical substation and sprinkler pump houses have been moved to small ancillary buildings.

One whole wall can be removed, the structure extended and then the panel and glazing refixed. It is designed to expand to about 25,000 sq metres with quite a large proportion being taken up with warehousing.



هكذا من الأصل

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday February 4 1986



# Zanussi expects return to profit as orders rise

BY ALAN FRIEDMAN IN MILAN

ZANUSSI, the leading Italian home appliance maker which is controlled by Electrolux of Sweden, reduced its loss in 1985 to around L30bn ($18.4m) from a deficit of L125.9bn in 1984.

Mr Gianmario Rossignolo, Zanussi chairman, said yesterday in Milan that the company expected to make a net profit this year, which, he said, would be evidence that Zanussi was emerging from its crisis of recent years.

Mr Rossignolo said Zanussi had experienced "an extremely negative first half" last year, with an operating loss of L47bn: "In the first six months, we had many doubts about the chances of recouping market share," he said. But second half orders picked up and by the year-end, Zanussi had seen its share of the European white goods market rise to 14.8 per cent, which Mr Rossignolo said made the company the market leader in Europe.

Sales last year rose by 10 per cent to around L1,900bn and group debt was reduced from L1,000bn to L900bn by year-end.

Zanussi was helped last year by low interest on debt servicing, a result of the debt rescheduling with creditor banks which was agreed when Electrolux took the company over in late 1984. Electrolux also transferred production of 157,000 appliance units from other makers to Zanussi in 1985, which helped the Italian business use spare capacity. This year the number of units manufactured by Zanussi for Electrolux will rise to 360,000. Total 1986 unit production should rise to around 4.1m compared with total capacity of 4.5m units.

Mr Carlo Verri, Zanussi managing director, said the company plans to sell some non-strategic assets such as property, which this year should raise around L25bn.

Zanussi is, meanwhile, embarked on a programme of factory automation as part of L340bn of capital investments over a three-year period. New investments in 1986 will total L140bn.

Apart from capital projects, Zanussi is also following a programme agreed with trade unions which will see the reduction of the group workforce by 4,848 by 1988. Last year the workforce was reduced by 2,800 to close the year with 18,000 people on the payroll.

Zanussi executives stressed yesterday that with a European market which is oversupplied and fragmented, the road ahead will not be easy. Demand in Europe is forecast to be static this year, Mr Verri explained, adding that it had been necessary to complain to the EEC of alleged dumping of air conditioners by Yugoslavia and Comecon producers.

Zanussi did, however, announce plans for the launch today in Cologne of a "Jetsystem" washing machine.

# European computer shop chain for Olivetti

By Our Milan Correspondent

OLIVETTI, Europe's leading office equipment maker, is joining forces with Micro Age, the US chain of personal computer shops, to launch Micro Age Europe, a network of personal computer and software retail outlets in Italy, France, Britain and West Germany.

Mr Gian Luca Braggiotti, a member of the Olivetti strategic planning staff who worked on the company's 1983 alliance with American Telephone and Telegraph, has been named president of the new concern. He stressed yesterday that the new European network "is not intended as an Olivetti distribution network and only a third of the products sold will be Olivetti PCs."

Mr Braggiotti said Micro Age Europe will have an initial issued capital of $10m rising later to $15m. At present the company is 89.5 per cent owned by Olivetti and 10.5 per cent by Micro Age of the US (in which Olivetti has a 46 per cent shareholding). Olivetti's share stake in the new venture will be reduced to less than 50 per cent in the next six to eight months, however, when outside partners take equity participations.

Micro Age Europe, like its chief competitor on a Europe-wide scale – Computerland of the US – will aim at small and medium users.

The company will have its legal headquarters in Luxembourg, head office in Milan and branch offices in four countries.

In West Germany, where Olivetti last year bought 49 per cent of the Munich-based Start computer retail chain, a management is already in place. In the UK, Olivetti owns 48.5 per cent of the 40-shop Tabs retail network. In France the new company is starting from scratch and has branches in Paris and Versailles. In Italy there is the 80-outlet Bit Shop chain, 55 per cent owned by Olivetti.

Mr Braggiotti said he will take the best shops from the chains already owned and develop a network of Micro Age outlets which will have 27 branches by year-end, 100 stores in 1988 and 180 by 1989. He forecast a 1986 turnover of US$25m, with break-even in 1987 and a first profit in 1988. The company will establish independent franchising organisations in each country.

Describing the new chain as "a venture capital investment" Mr Braggiotti said the sheer number of stores is not his objective. "The success of this venture should be judged in terms of margins generated and in terms of how many multi-user systems are sold as opposed to basic PCs."

## INVESTOR OFFERS $23 A SHARE TO EXPAND 14% HOLDING

# Jacobs bids for Pioneer energy

BY PAUL TAYLOR IN NEW YORK

MR IRWIN JACOBS, the Minneapolis-based investor, yesterday offered to acquire Pioneer, an energy exploration and production group based in Amarillo, Texas, for $23 a share in cash, or a total of about $750m.

Pioneer has been buffeted by the natural gas glut in the US and recently announced plans for a restructuring including spinning off some of its gas-producing properties to a master limited partnership 85 per cent owned by Pioneer shareholders. It said yesterday that it had received the unsolicited bid from Minstar, Mr Jacobs' main investment vehicle, proposing a cash merger or business combination.

Mr Jacobs is already Pioneer's largest single shareholder, owning 14 per cent of the company's 32.8m shares. He is on the group's board of directors. Pioneer is unconnected with Pioneer Electronic of Japan.

Pioneer, whose annual revenues have plunged from more than $1bn in 1983 to about $400m last year, said the Jacobs proposal would be subject to a definitive agreement, approval by the company's directors and satisfactory completion by Minstar of due diligence requirements.

The oil, natural gas and uranium group said it was reviewing the proposal with its financial and legal advisers and would call a special directors' meeting to consider the bid.

Under Pioneer's restructuring plan, first unveiled in December, some of the group's gas properties would be transferred to a limited partnership while its exploration and production activities would be set up as a new company called Pioneer Production.

Separately, Minster said yesterday it had received an unsolicited $200m bid for the bowling operations of its AMF subsidiary. Minstar said the offer was subject to a number of conditions and that its board would meet to consider it.

● Compaq computer has reported record sales and earnings for 1985, writes Louise Kehoe in San Francisco. The Texas manufacturer of IBM-compatible personal computers increased its sales by 53 per cent over 1984, in spite of what many have described as a market slump.

Compeq sales totalled $503.9m with net income of $26.6m or 90 cents per share for 1985. This compares with revenues of $329m and net income of $12.9m or 47 cents per share in 1984.

# Hafslund sharply up on year

BY FAY GJESTER IN OSLO

NORWAY'S Hafslund group, involved in ferro-alloys, hydro power, engineering and – since its acquisition of Actinor – pharmaceuticals, sharply increased turnover and profits last year.

Preliminary figures put profits before extraordinary items at NKr 280m ($37.6m), after deduction of minority interests.

That is NKr 17m higher than the group forecast last December, in connection with a new share issue, and NKr 101m up on the comparable 1984 figure.

Net extraordinary income for 1985 is estimated at NKr 44m, while sales last year totalled NKr 2.2bn, making Hafslund one of Norway's largest industrial concerns.

A year earlier, before the Actinor takeover, Hafslund sales were NKr 676m, acquisitions during the year accounted for only part of the increase, however – Actinor contributed about NKr 1.05bn and Hafslund, England, NKr 350m. Hafslund bought 90 per cent of that company in January 1985.

An unchanged 15 per cent dividend is proposed.

● Geco, the Norwegian seismic survey company, reports 1985 profits before extraordinary items up 50 per cent on a year earlier, to NKr 108m – NKr 17m better than budgeted. Sales rose by more than 15 per cent to NKr 1.6bn.

Although the world market for seismic services is currently under some pressure, Geco expects another good year in 1986. It has more contracts in hand than at this time last year, and its share of the world market is growing.

# Beatrice approves new offer

By Our Financial Staff

DIRECTORS of Beatrice Companies, tha US food and consumer products group have accepted a modified $6.2bn leveraged buyout offer from Kohlberg, Kravis Roberts, the US acquisition specialists. Tha agreement includes a settlement of all pending legal actions by shareholders objecting to the merger.

The new offer, still worth $6.2bn, reduces the cash amount by $3 a share to $40 and increases the preferred share portion from $7 to $10 a share. It also increases the interest on the 15¼ per cent from 14 per cent. The offer also reduces severance pay and bonuses paid to executives

Beatrice shareholders have complained that the board accepted the original offer without adequately seeking higher bidders, and with major shareholders like the University of California, claiming that the minimum price per share should be $55.

# Takeover of Tara may lead to revived offer for Bula Mines

BY HUGH CARNEGY IN DUBLIN

THE takeover of Tara Exploration and Development by Finland's Outokumpu mining group is the latest twist in a tortuous 15-year wrangle over Europe's largest lead and zinc deposit, situated at Navan in the Irish Republic.

Tara Exploration has a 75 per cent stake in Tara Mines – the balance is held by the Irish Government – which has operated a mine on its share of the ore deposit on the south bank of the river Blackwater since 1977. The 600 acre site on the north bank of the river belongs to Bula Mines, an Irish company also part-owned by the government, which went into receivership last October after a long battle with Tara and without ever producing any ore.

Last week, Outokumpu won agreement from Noranda of Canada and Northgate Exploration to acquire their respective 49.9 per cent and 10 per cent shares in Tara Exploration.

The move has aroused speculation in Dublin that the Finnish company intends reviving a bid by Tara to take over the Bula holdings, which broke down shortly before Bula went into receivership owing some I£30m ($37.8m), mainly to its bank creditors.

The receiver has already advertised the Bula holding for sale and has received responses from interested companies. But those are understood not to include Outokumpu.

Outokumpu had worked closely with Bula since 1977. It advised on proposals for an open-cast mine on the site but that failed to win planning permission. Outokumpu was also involved in a later attempt, with backing from Bankers Trust, to develop an underground mine. That failed when the Irish Government refused financial backing

Tara opposed from 1970 the Bula acquisition of the north bank ore body, which was originally discovered by Tara, a year ago.

# FN fails to pull out of loss

BY PAUL CHEESERIGHT IN BRUSSELS

FABRIQUE Nationale Herstal (FN), the Belgian arms and aeronautics manufacturer, has failed to realise its expectation of a return to profit, but expects its final 1985 result to be close to breakeven.

There will, for the fourth successive year, be no dividend although prospects look better this year as FN seeks further cost reductions, and begins to feel the benefits of an investment programme, which doubled in size in 1985 to BFr 1.2bn ($24.6m).

Parent company turnover rose 25 per cent to BFr 24.1bn in 1985. FN, as late as last September, had been expecting BFr 25bn in revenue, in which case it would have returned to the black.

FN estimates that turnover this year will be much the same as last, but the order book has shrunk in size to BFr 22bn, compared with BFr 25.26bn at the end of 1984.

This decade, FN has made sufficient profit to declare a dividend only once – in 1981. There were losses in 1980 and 1984.

# French brewer to close plants

BY PAUL BETTS IN PARIS

SOCIÉTÉ Générale de Brasserie (Sogebra), France's second-largest beer producer which is 51 per cent owned by Heineken, plans to close four of its nine breweries this year and cut 530 out of a total of 2,800 jobs in an effort to reduce losses.

The latest restructuring by a major French-based brewery group reflects the continuing problems of the French beer industry as a result of the decline in beer consumption in France. Per capita beer consumption at home has dropped from 20.8 litres a year in 1965–67 to 16 litres a year in 1979–81. Consumption has continued to fall by 8 per cent in the past two years.

Heineken's French subsidiary lost FFr 95m ($13m) last year on sales of about FFr 4bn compared with a loss of FFr 25.5m on sales of FFr 3.7bn in 1984. The Dutch group expects Sogebra to report another loss of about FFr 73m this year.

However, Sogebra, while closing four breweries, plans to invest FFr 700m, including FFr 100m this year, to modernise its five remaining plants.

The Heineken restructuring in France follows restructuring at BSN, the leading French beer producer, which closed three breweries last year and invested FFr 300m in its plant at Champigneilles

The current wave of restructurings and plant modernisation in the French beer industry comes after a first wave of mergers and concentrations in the sector. From a total of 58 breweries in France in 1975 the number had fallen to 33 last year.

The industry is concentrated in the hands of three big groups including BSN, Sogebra and Stella d'Artois

# Goodyear down 10% in quarter

GOODYEAR Tire & Rubber, the world's biggest tyre company, expects to report fourth-quarter net earnings from continuing operations were down about 10 per cent from the $92.6m earned in the 1984 fourth quarter, AP-DJ reports from Akron, Ohio.

Full-year net income is expected to be slightly higher than the 1984 net income of $411m, but net from continuing operations for the full year was about 15 per cent to 20 per cent lower than the $360.9m earned in 1984.

Mr Robert E. Mercer, chairman, said 1985 results reflect planned programmes for redeploying assets and "adjusting the company's portfolio of businesses" to help its market position worldwide.

Items in the 1985 results included costs for conversion of a plant in Tyler, Texas, to radial-tyre production, redundancy costs and lower than expected demand in some markets.

# Banco Central profits edge above Pta 15bn

BY DAVID WHITE IN MADRID

BANCO CENTRAL, one of Spain's two largest commercial banks, has announced a modest increase of about 4 per cent in its 1985 net profit to Pta 15.06bn ($100m), after making substantial risk provisions of around Pta 30bn.

However, Mr Alfonso Escamez, the chairman, said in a letter to shareholders that the results would refute the "rumours and confusion" which had been circulating about the banking group's performance.

The dividend is to be maintained at Pta 115 per Pta 500 share, with an additional Pta 5 premium for shareholders attending the annual meeting.

Mr Escamez said efforts to reduce financial costs had proved "clearly satisfactory" but their full results would only be seen in this year's figures. He emphasised that all Banco Central's foreign branches, including South America, had produced positive results.

Consolidated profit figures have still to be announced, but Mr Escamez said Banco Central's subsidiary and affiliated banks produced a cash flow of Pta 9.57bn, some 30 per cent up on 1984. This was despite a negative cash flow of Pta 442 at its affiliate Banco de Valencia.

● Net earnings at Banco Popular Español, smallest of Spain's big seven banks, soared by 48 per cent last year to Pta 10.62bn, and the bank is proposing to raise its dividend from Pta 147 to Pta 214, an increase of 44 per cent.

In contrast to Banco Central, where provisions were in line with the previous year's, it was able to reduce its provisions for insolvencies and country risk. The bank said it had made progress in cutting financial and operating costs and in recovering debts.

● Banco de Sabadell, a successful medium-sized Spanish bank which has just opened an operating branch in London, registered an improvement of almost 15 per cent in its pre-tax profit last year to Pta 3.63bn.

# UTA wins Air Zaire recovery bid

By Paul Betts in Paris

UTA, the French independent long-distance airline company specialising in routes to Africa and the Far East, has taken over the management of Air Zaire to try to return the troubled company to a sounder financial and commercial footing.

The French airline which is owned by the private Chargeurs transport and media group, edged out Sabena, the Belgian airline, for the Zaire contract.

The contract runs for six years and UTA has put a team of 15 executives on the task of the Air Zaire recovery programme. Although Air Zaire has already cut back its staff substantially from 6,500 people to 2,000 people, the African company is in dire need of restructuring its fleet.

# Interest rate confidence boosts IKB

BY JONATHAN CARR IN DÜSSELDORF

IKB, the West German bank, reports an "astonishingly" strong surge in demand for long-term credit from industrial customers in the last quarter of 1985.

IKB's long-term lending rose by DM 400m ($168m) to DM 10.9bn in the first six months of the business year to end September – then jumped in the next three months to DM 11.6bn.

The trend is felt to reflect the belief of many German industrial enterprises that interest rates are unlikely to fall much further, and may even rise during 1986.

As a result, companies are more ready to undertake long-term borrowing to help to finance their growing investment in plant and machinery. This corporate investment boom, along with an increase in private consumer spending, is expected to be a key element in West Germany's economic upswing this year.

So far, the surge in credit demand is not fully reflected in the bank's interest surplus, which rose by 4.2 per cent to DM 161m in the first nine months of the business year to end December. But the boom looks certain to show up in higher interest earnings in 1986.

Industriekreditbank Deutsche Industriebank, IKB, owners of which include the big three German commercial banks and insurance companies, specialises in lending to industry for up to 10 years and longer at fixed interest rates.

The bank has more than 6,000 corporate borrowers and is believed to be the market leader in long-term lending to German manufacturing industry, especially to medium-sized companies.

IKB set up a branch office last year in Luxembourg, in addition to the subsidiary it established there in 1979, and is making growing use of the international markets for its funding.

Last November it made its first D-Mark foreign bond issue via its offshoot IKB Finance, Amsterdam a DM 100m capped floating-rate-note issue – and is planning an Ecu-denominated issue.

The moves are helping IKB to offer a still better deal to its industrial customers in the face of challenges from two sectors in particular. For one thing, German companies are making growing use of the international capital markets themselves; for another, foreign banks in Germany (not least the Swiss) are stepping up their drive for corporate customers.

# INTL. COMPANIES & FINANCE

## Norsk Data profits rise 55% to NKr 360m

BY FAY GJESTER IN OSLO

NORSK DATA, the Norwegian computer group, increased pre-tax profits by 55 per cent last year, on the back of a 37 per cent rise in operating revenues, according to preliminary figures published yesterday.

The figures indicate Norsk Data's 1985 operating margin reached 16.5 per cent, 0.6 percentage points up from 1984. The company claims this gives it the highest profit margin of any mini-computer manufacturer for the third year running.

Pre-tax profits climbed to NKr 360m ($48.4m) from NKr 230m, while operating revenues reached NKr 1.88bn compared with NKr 1.38bn in 1984. Operating profits rose to NKr 310m, from NKr 215m, and earnings per share reached NKr 20.60, compared with NKr 15.55 (based on the average number of shares in circulation).

The increases do not reflect acquisitions during 1985. In fact, Norsk Data last year sold half its stake in a Swedish service company Silvidata, now renamed Data Cent (DC). If the 1984 turnover figure is adjusted to take account of this, growth in sales from 1984 to 1985 was 46 per cent, not 37 per cent.

The company attributes the good results to its "competitive, end-user orientated systems." Orders booked last year were worth NKr 1.63bn, 40 per cent more than in 1984. Expansion in European markets was particularly significant. The fact that the company's mini and super-mini computers can be used both for Cad/Cam and for office automation proved a strong selling point. Sales in France were boosted by the deal with Matra, the French electronics concern.

In Germany, 70 per cent of the increase in orders represented sales to new customers. In the UK, turnover, although still quite small, was up 80 per cent on 1984.

## Perstorp advances

BY DAVID BROWN IN STOCKHOLM

PERSTORP, the Swedish chemicals and plastics group, lifted its profits before extraordinary items, appropriations and taxes for the first four months of its fiscal year to SKr 125m ($16.6m), an increase of 14 per cent on the same period a year earlier.

Sales climbed at the same rate, to SKr 1.26bn from SKr 1.12bn a year earlier.

Acquisitions improved sales considerably in the compounds and chemitech divisions, but turnover was stagnant in the electronics and biotech units.

During the period the group acquired La Bakelite, of France, a leading European producer of phenolic resins and compounds with annual sales of SKr 250m.

## Coniston invests in NL

CONISTON Partners, a New York investment firm, has taken an 8.2 per cent stake in NL Industries, the big US oil service group, and says it will seek a restructuring or sale of the company, Our Financial Staff writes.

NL's shares closed at $15 on Friday, valuing the company at $930m. Coniston, however, believes NL's oilfield assets alone are worth at least $1bn, even though that sector has been hard hit by the renewed fall in oil prices which has increased fears for weak earnings in 1986.

NL earned $21m on revenues of $1.42bn in 1985 after a 1984 loss of $152.3m, incurred after a $150.8m write-down, which included oil-related assets. NL had pinned hopes of continued profits this year on its chemicals operations, but continuing drops in oil prices have put that in doubt.

# INTERNATIONAL COMPANIES and FINANCE

BATTLE MOUNTAIN PROJECT

## Gold production plan at Pajingo

BY KENNETH MARSTON, MINING EDITOR

BATTLE MOUNTAIN Gold, the US mining company spun off from Pennzoil in August last year, is considering taking the big Australian Pajingo gold discovery in Queensland to production on the basis of an annual gold output of 70,000 oz to 80,000 oz.

Mr Douglas Bourne, chairman of Battle Mountain, said that, given a satisfactory outcome to a feasibility study just started, and suitable arrangements with the Australian Foreign Investment Review Board, "the company will proceed with development" of the open-pit project.

Battle Mountain has defined indicated ore reserves at the Janet A sector of the Pajingo property as lying within 115 metres of surface and are put at 1.4m tonnes grading, a good average value of 12.6 grammes per tonne gold and 40 grammes silver.

Preliminary metallurgical testing indicates straightforward low-cost processing, says Mr Bourne. No pre-mining stripping would be required and the overall stripping ratio would be less than 15:1.

Additional test drilling is planned for the Janet B zone, some 800 metres to the southwest. Five other areas, including lateral and at-depth extensions of the Janet A lode zone, are scheduled for detailed follow-up.

The company also owns the third largest gold mine in the US, the Fortitude property near Battle Mountain, Nevada. Recoverable reserves at this low-cost operation were estimated last July at 1.6m oz gold and 3.5m oz silver. These figures are expected to be upgraded later this month.

Full-scale mining at Fortitude began in late 1984. Operating costs last year equalled $225 per ounce of gold and Mr Bourne says that Battle Mountain's profits for the 1985 fourth quarter amount to some $4m (£2.86m), making an estimated $16m, or 37 cents per share, for the company's first year.

● Phelps Dodge, the major US copper producer, has so far outlined at least 25m tonnes of massive sulphide copper ore grading a good 5.1 per cent copper and 8.2 per cent zinc in the first phase of drilling at the Cayeli deposit in north-eastern Turkey.

The company intends to embark on a final feasibility study of the project at mid-year. Meanwhile, surface and underground drilling continues at the find which is still open both laterally and at depth.

Phelps Dodge is the operator of the project with a 49 per cent stake. Etibank the Turkish state-owned company holds 45 per cent while the remaining 6 per cent is owned by Gama Endustri Tesisleri Imalat Ve Montaj, a private Turkish concern.

## Net profit soars 350% at FAI Insurances

By Terry Povey

FAI INSURANCES, the aggressive Australian general insurer and investment company, has reported interim net profits of A$60.22m (US$43m), more than 350 per cent above the A$13.16m made in the first half of the previous year.

In the past week FAI has taken a 10 per cent stake, worth A$100m, in Pioneer Concrete, one of Australia's largest industrial companies.

Most of the sharply increased profits came from the realisation of gains on FAI's share portfolio. A holding in retailer Myers was sold for A$27m gross and a 20 per cent stake in Offshore Oil was sold at a profit of A$25m—an 11 per cent holding in Offshore has been retained. Further investment gains brought the total income from this area of activity up to A$69.2m.

Insurance underwriting profits were up almost 28 per cent to A$1.46m on premium income (net of reinsurance) of A$131m. Overheads were 12.19 per cent of net premium income—down from 12.92 per cent previously.

Tax for the six months to December took A$10.38m compared with A$1.8m.

An interim dividend of 2.5 cents (against 2 cents) has been declared. Shareholders have the option of receiving shares in lieu of the payout as usual. The dividend is being paid on earnings per share of 60.52 cents, up from 16.1 cents previously.

## Citibank syndicate seeks Galadari Group guardian

BY ANGELA DIXON IN DUBAI

A SYNDICATE of creditors led by Citibank has requested the Dubai courts to appoint a guardian to manage the assets of the Galadari Group, headed by the two brothers who are prominent Emirates traders.

Claims for more than Dh 250m ($68m) in outstanding loans were filed by the group, which also includes American Express, Chase Manhattan, Credit Suisse Gulf International Bank, Lloyds Bank and Royal Bank of Canada. The syndicate was formed in April 1984, in order to restructure certain loans made to the Galadari Group by the banks concerned.

Last week Bankers Trust filed claims amounting to some Dh 101m against General Development and Trading Company, the Galadari Brothers group, and their owners, the brothers Mr Abdul Rahim Galadari and Mr Abdul Latif Galadari.

Prior to that, Dubai Bank, the largest bank creditor, bad filed claims amounting to more than Dh 360m, and the total now filed by creditor banks is estimated to be in excess of Dh 800m. The claims are scheduled to be heard in the Dubai court on Saturday.

Bankers Trust also applied for an attachment against the Intercontinental Hotel and Plaza Apartments, although a Galadari Group official said the court had not brought into effect any such order. Requests for the freezing of other assets are at present before the court.

The syndicate holds a mortgage on the Dubai Intercontinental and the Plaza. It has requested an attachment order on the same assets as those listed by Dubai Bank, which do not include the hotel. Further claims bave been separately filed since Saturday by Citibank itself, amounting to Dh 52m and American Express, in respect of loans not included in the syndicate. It is expected that at least one other bank in the syndicate will also file claims for such unsecured loans.

Under existing Dubai law it is not possible to file for bankruptcy. This would require a decree by the ruler, but so far the Government has shown no inclination to get involved in the affair.

However, the appointment of a guardian would, if granted, help to achieve what creditors would prefer—namely the continuation of the Galadari businesses, but under different management.

The Galadari Group are franchisees, among others Mazda, Buick and Isuzu vehicles, Baskin Robbins ice cream and Canadian Pacific Airlines. Other companies in the group are those which manage the hotel and apartments, as well as the Khaleej Times newspaper and a property company.

## Higher shipments boost Queensland Coal Trust

BY LACHLAN DRUMMOND IN SYDNEY

QUEENSLAND Coal Trust has reaped the benefit of higher coking coal shipments and the weaker Australian dollar, with net profits totalling A$108.4m (US$77.4m) for 1985.

The trust has a 21.75 per cent stake in the joint ventures formed to take over the Utah and BHP coal mines in central Queensland. It was floated in April 1984, so 1985 represents its first full year.

The final six months produced earnings of A$61.4m, which compares with A$28.3m in the establishment phase to December 1984 and A$46.9m in tha six months to June.

Total revenues from coal were A$161m in the final six months of 1985, compared with A$147m in the June half, reflecting increased shipments.

The increase in tonnage has come from an active marketing programme, particularly in Europe, which has served the duel purpose of decreasing the dependence of the mine on their traditional Japanese steel mill customers.

Although winning greater volume the trust does not expect any rise in US dollar coking coal prices in the short to medium term because of subdued world steel demand and over supply of coking coal.

The trust, which distributes all its earnings as dividends, is making a final payment of 18.26 cents a share, to give a 1985 total of 23.56 cents a share.

## Half-year earnings up 21% at Rothmans of Australia

BY OUR SYDNEY CORRESPONDENT

ROTHMANS HOLDINGS, the Australian tobacco and confectionery group, lifted net earnings 21.2 per cent to A$25.57m US$18.3m) in the half-year to December.

The result includes a first-time contribution of A$2.2m from Allen's Confectionery, the sweets group taken over as from July 1. Allen's earned A$1.4m in the corresponding period of 1984.

Total sales at Rothmans climbed 28 per cent to A$483m and the directors said there had been some growth in overall cigarette industry sales volume.

Rothman's own tobacco operation had maintained its sales volume and improved its profit performance in the face of intensifying competition, they added. Costs had been contained and worthwhile efficiency gains generated.

Profits from Papua New Guinea were higher despite a decrease in volume

The confectionery business increased volume and market share while the group won better trading results from its Dunhill retailing operation and Cartier wholesale and retail interests.

The net profit took in A$3.9m of investment income compared with A$3.3m.

The interim dividend is up from 11 cents a share to 14 cents, paid from earnings per share of 52.5 cents compared with 43.3 cents.

## Decline at Arab Banking

ARAB BANKING Corporation has reported a slight dip in 1985 net profits to $109m from $110m the previous year, agencies report from Bahrain.

The result was struck after a sharp rise in provisions for possible loan losses, to $61m against $45m.

The bank, which in May acquired a 75 per cent stake in Hong Kong's Sun Hung Kai Bank, increased assets by 18.2 per cent to $13.07bn from $11.06bn at the end of 1984.

The group's loans grew to $5.10bn from $4.65bn a year earlier, while total deposits rose 17.1 per cent to $10.28bn from $8.78bn.

Arab Banking said its board was recommending dividends totalling $52.5m for 1985, up from $45m. Ownership of the bank is held equally by Libya, Kuwait and Abu Dhabi. After providing for the dividend, shareholders' funds rose to $1.19bn at the year-end from $1.11bn a year earlier.

The bank said that during 1985 it had restructured its investment banking division into a group of wholly-owned subsidiaries headed by ABC Investments and Services Bahrain.

● Arabian Investment Banking Corporation (Investcorp), a Bahrain-based institution established in 1982 to provide investments and financial advisory services to Gulf investors, said its 1985 net income rose 9 per cent to $12.1m.

It gave the return on shareholder's paid-in capital as 24 per cent, up from 22.1 per cent. Assets rose to $259.5m from $236m, and the return on average assets was 4.9 per cent.

## UMW loan rescheduling agreed

BY WONG SULONG IN KUALA LUMPUR

UNITED MOTOR WORKS (UMW), the financially troubled Malaysian industrial group, has reached agreement with its creditor banks on a loan rescheduling package which will ease the groups interest burden.

The rescue package signed yesterday provides for:

● The rescheduling of principal repayments of 182m Ringgit ($75m) in overdue loans. A payment of 75m Ringgit is to be made by the end of this month and another 55m Ringgit by the end of July. If these two payments are met, a review of the group's operating results and financial requirements would then be made, in order to set a due date for the remaining 52m Ringgit.

● The sale by UMW of its assets and businesses not central to the group's core business, which involves heavy equipment, car distribution, engineering and manufacture of automotive components.

● Japanese suppliers of heavy equipment to UMW, principally Komatsu, taking back some 29m Ringgit worth of excess stocks on to their own books, and extending further credit lines.

● Increased efforts by UMW in debt collection.

According to Mr Shiew Wan Shing, UMW's managing director, the sale of assets, including a 4,000 acre cocoa plantation, repossession of excess stocks by its Japanese principals and better debt collection is expected to generate 158m Ringgit



## Lifegro to go public through R32.5m issue

By Jim Jones in Johannesburg

LIFEGRO, the South African life assurer which began business in 1931 as a branch of Legal and General Assurance Society, is to go public through a R32.5m ($14.3m) issue of new shares.

Legal and General, the British parent, sold 70 per cent of its South African off-shoot to three closely linked South African companies—Volkskas, Rembrandt and Momentum Life Assurers—in 1979 and the residual 30 per cent in the latter part of 1985. The company's name was changed to Lifegro from Legal and General Volkskas

The public and policyholders are to be offered 11.4m new shares in Lifegro at 285 cents a share. In addition Volkskas is to sell from its own holdings 11.8m shares at the same price. The flotation will lift Lifegro's issued capital to 52m shares and leave Rembrandt, Volkskas and Momentum Life as joint controlling shareholders with 50.4 per cent of the equity.

# Ecu loans for Japan's state entities

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

JAPAN'S Ministry of Finance (MoF) is understood to have told the European Commission that it has no inherent objection to allowing Japanese state entities to raise loans in European Currency Units (Ecu) in the 1987-88 fiscal year.

EEC officials here have welcomed the MoF's move as an indication of Japan's recognition of the growing use of the Ecu as an international and reserve currency. They hope it will also lead to serious talks between the EEC and Japan, and perhaps with the US, over the appropriate relationship between the Ecu and the yen and, by extension, the dollar.

Until now, the Ecu has not been among the currencies specified by the MoF for use in the international fund raising operations of Japanese state bodies. There are currently 12 such entities authorised to raise international finance under the MoF's general auspices, ranging from the Japan Development Bank and Japan National Railways to regional development authorities in Hokkaido and Okinawa.

What the MoF has done is to advise the EEC and those financial institutions in Tokyo with which it works closely to go out and impress on the state bodies the merits of the Ecu. The entities are then expected to advise the MoF of their interest in using the Ecu, as well as other currencies, in their financings for inclusion in the 1987-1988 budget.

The Japanese private sector has made increasing use of the Ecu market in the last year, to the point where, according to Mr Rem Caillaux, chief Tokyo representative of Paribas, "the Ecu has now become a rather normal part of our regular business."

Last year's EEC annual report noted that in the first nine months Japanese institutions were the largest single national issuers of Ecu bonds, with 16 out of a total of 80. Another calculation, including October, by Yamaichi Securities found 21 issues—totalling Ecu 997m.

Paribas handled both the first Japanese Ecu bond (Seibu's Ecu 30m issue) and the largest to date, All Nippon Airways' Ecu 130m bond. The progressive increase in size, Paribas executives suggest, indicates that Japanese companies and banks are now more comfortable with the Ecu, and are prepared to issue bonds at least in the Ecu 50m to Ecu 75m range.

In May last year, the EEC itself made a successful private placement of an Ecu 50m bond with 20 Japanese institutional investors, under the direction of the Bank of Tokyo. Dividend payments on this issue are now being made through Ecu accounts at Japanese banks, among them the Bank of Tokyo and Sumitomo.

However, the Japanese Government has traditionally taken a cautious approach to new markets. It would be surprising, therefore, if more than two or three state entities floated Ecu bonds in the 1987-88 fiscal year.

*Although* they are pleased by the general progress, EEC officials still believe that the MoF remains suspicious of the Ecu, and the European Monetary System, as merely "a regional arrangement." As a result, Brussels apparently intends to engage Japan in substantive negotiations later this year on the relationship between the Ecu and the yen. Mr Jacques Delors, the Commission President, is said to be willing to broach the subject at the Tokyo economic summit in early May, while the two sides are due to hold another round of financial consultations, probably in June.

The EEC view is that Japan remains fixated by the dollar relationship, with occasional sidelong glances at the Deutsche mark. Yet, the EEC contends, the Ecu is now the second largest official reserve currency after the dollar and stands alongside the DM as the second most popular currency, again after the dollar, for all international bond issues. In both instances, it comfortably outstrips the yen.

Largely because of the strength of the D-Mark and to a degree the Dutch guilder, the yen has appreciated much less against the Ecu in the last four months than it has against the dollar and sterling. EEC officials reckon that the yen is undervalued by about five to six per cent against the Ecu at present. They believe it will be necessary for both sides "to take a 'view'" over exchange rate values in the months ahead.

# Suez group share offer 300 times subscribed

By David Marsh in Paris

THE French Government's sale yesterday of rights to subscribe to a capital increase by Compagnie Financiere de Suez, the nationalised industrial and financial holding group, was oversubscribed by around 300 times.

The heavy demand, underlining the interest of investors—above all from abroad—in French companies likely to be denationalised after the March elections, was described sardonically by Suez bankers as "catastrophic." The theoretical amount of cash chasing yesterday's sale was FFr 270bn.

The offer of 1.058m rights at FFr 75 each carried with them the obligation for investors to subscribe to non-voting preference shares (*certificats d'investissement* or CIs) being issued by the Suez group at FFr 825 each. Total bids received *yesterday amounted to* just over 300m rights.

The Government, which currently owns 92 per cent of Suez non-voting shares and 100 per cent of its voting shares, is selling its rights to a one-for-six capital increase which will bring in an overall *FFr 1.8bn* in new equity for the group.

Banque Indosuez, the Suez banking arm, said the massive oversubscription m?le it impossible to arrive at a quotation for the rights yesterday. A new sale will be attempted on February 7. Subscribers this time will be asked to bid for the rights at the *same* basic FFr 75 price, but will have to hold their bids in a frozen account between February 7 and 16.

Demand for *yesterday's* sale was clearly inflated by investors' expectation that the issue would be wildly over-subscribed. Between two-thirds and three-quarters of the bids were believed to have come from foreign subscribers, above all from the *UK and US as well as* West Germany and Switzerland.

The FFr 1.8bn Suez equity raising is the largest ever transaction on the Paris bourse. The sale of the Government's rights is supplemented by the purchase of CIs by existing private non-voting Suez shareholders and by a FFr 700m loan stock conversion by Banque Indosuez.

The deal will give non-voting shareholders a *20* per cent stake in Suez and boost the group's capital structure ahead of the denationalisation expected after the widely-tipped victory of the *right-wing parties, in* general elections on March 16.

● France has made the first moves towards setting up a US-style credit rating agency to vet the health of *companies raising* funds on the rapidly growing Paris commercial paper market.

Credit National, the state industrial financing institution, appears likely to be *chosen* by the French Government to set up an agency with the participation of other French and foreign shareholders.

Institutional investors, such as the big French insurance groups which are the main providers of funds to the commercial paper market, are insisting that the new agency should have as much independence as possible. Credit National is thus likely to have only a minority stake.

The heavy pace of commercial paper issues — amounting to a net total of around FFr 9bn *since* the market started in December — has been accompanied by a wide divergence in yields. The new agency should eventually help to align interest rates on the paper more closely to the financial standing of the issuer.

# Eurobond investor interest turns to non-dollar sectors

BY MAGGIE URRY

THE EURODOLLAR bond market is paralysed ahead of the US quarterly refunding auctions, and got no lead yesterday from the New York market's opening. Prices were hardly changed in quiet trading, and no new dollar issues were launched.

Instead, interest turned to other currency sectors, with issues coming in Canadian and Australian dollars as well as continental currencies.

The State Bank of New South Wales took the "harmless" warrant structure into the Euro-Australian dollar bond market with a A$50m issue carrying 50,000 warrants. The host bond has a seven-year life and a 14¼ per cent coupon with a 100¼ issue price. It is non-callable for four years and then callable at 101¼ with prices declining annually by ¼ point.

The warrants, priced at A$40, cannot be exercised while the host bond is non-callable. But during this time they will attract interest at A$580 each, giving a 14½ per cent running yield. After that they can be *exercised into a non-callable* bond with the same maturity and coupon at par. If they are not exercised by the maturity date they will be redeemed at A$20.

Morgan Stanley led the issue and is giving investors the option to pay in Australian rather than US dollars, which is normal for issues made by Australian borrowers. Fees totalled 2 per cent and the bonds were trading at a 1½ points discount, while the warrants were quoted around A$45.

Orion Royal Bank announced an increase from A$40m to A$50m for its three-year 14½ per cent issue for F. van Lanschot Bankiers. This has sold well in the Netherlands, where the name is well known, and was trading yesterday at around a ½ point discount to the 100½ issue price.

GZB, the Austrian agriculture bank, is raising C$80m which is being swapped into floating-rate US dollars. Orion Royal Bank led the issue which has a 10½ per cent coupon and 100½ issue price. Fees total 1¾ per cent and the bonds were trading just within.

A fairly good reception was awarded to the first two pure straight issues of February in the D-Mark market although the secondary market was quiet.

National Bank of Hungary, which has two other issues outstanding, launched a DM 150m public issue with a 10-year life. This *has* a 7½ per cent coupon reflecting the limited demand for this name. Issue price was set at par by Dresdner Bank and some specialised demand came in for the bonds, which traded comfortably within the 2½ per cent total fees.

Oesterreichische Kontrollbank is making a DM 150m private placement through Westdeutsche Landesbank. This has a five-year life and a 6¾ per cent coupon, with a 100½ issue price. The bonds were quoted within the 1½ per cent selling concession.

In the Swiss franc foreign bond market, Firestone Tire and Rubber launched a SFr 210m 10-year non-callable issue which is being swapped into fixed-rate dollars. Chase Manhattan Bank (Suisse) won the mandate for the deal and set a 5¼ per cent coupon and par issue price.

Prices were little changed in lacklustre trading in this market, too.

Banque Francaise du Commerce Exterieur had a success with its first issue in the Danish kroner market, the first French name in the sector. The DKr 300m 10-year issue is also the longest outstanding bond. It has a 9½ per cent coupon and par issue price. Enskilda Securities led the issue which was trading above 99, well inside the 2 per cent fees.

# ECP programme for Credit National

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CREDIT NATIONAL, the *French state financing concern*, has appointed Banque Indosuez to act as dealer in a new Euro-commercial paper (ECP) programme.

The programme is in addition to commercial paper issues made under previous arrangements with other banks, through which Credit National has recently been able to raise funds at a rate some 7 basis points below the London inter-bank bid rate for Eurodollar deposits.

The new programme, which is for an unspecified amount, will replace a bilateral credit line that already exists between the borrower and Banque Indosuez. It is also intended to broaden the placement of Credit National paper.

# Broader spread for NZ refinanced debt

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND has launched a programme to refinance a large part of its overseas debt and restructure its borrowing. The move will take advantage of lower interest rates in the US to save New Zealand millions of dollars, says Mr Roger Douglas, the Finance Minister.

During the next three months the Government will repay a number of old loans totalling about NZ$1.4bn. They include loans of Y35bn, DM 350m, SFr 200m, and US$350m. New loans are being negotiated at lower interest rates and with longer maturities.

The refinancing move also aims to give a greater spread of the countries and currencies of origin, thus reducing the risk of holding too much debt in any one currency. There will be a tendency to switch out of yen and European currencies—with the exception of sterling—and to borrow more in US dollars.

New Zealand's official external debt, incurred by the Government and reserve bank, stands at $NZ15.41bn. It was *automatically boosted by the 20* per cent devaluation of the NZ dollar in July 1984.

Many of the planned repayments are of maturing loans but there will also be early repayments of some loans otherwise not due until later.

The refinancing programme began in mid-January with a successful 25-year, fixed-rate floating-rate note issue of US$150m raised in the US domestic market, at 9.875 per cent. This was the first time since 1979 that a note of this kind had been issued with a coupon below 10 per cent, Mr Douglas claims. On January 15 Mr Douglas announced that the Government was borrowing NZ$700m in the European floating-rate note market.

Last year Treasury and Government officials began a review of New Zealand's debt structure. Much of the debt incurred by the Muldoon administrations was for three-year periods. The policy of the Labour Government is to try to negotiate longer periods at *better interest rates*.

Following the review, the government prepared a programme of debt management with four main objectives—to reduce debt servicing costs, to adjust the mix of currencies in which overseas debt is held, to negotiate longer maturity periods and to diversify the overall balance of existing debt.

Last July a maturing sterling loan was replaced by a £100m floating-rate issue which reduced interest payments on the debt being repaid by NZ$700,000 a year.

In November a US$200m issue was offered in New York to replace debts in other currencies. This has a 20-year maturity period—the longest sought by New Zealand in any *currency* except sterling for some years. Now further refinancing is to be implemented.

Stressing the importance of the low interest rates now available in the US, Mr Douglas says further US dollar debt will be raised to refinance that maturing.

The first tranche of the US dollar debt would be issued to a value of US$100m under a note issuance facility put in place in 1984.

This facility, which allows for up to US$1.5bn to be raised, has not previously been utilised. Its terms are also being renegotiated and the total available will be reduced.

Since assuming office in July 1984, the Labour Government has borrowed NZ$6.1bn overseas and repaid NZ$4.8bn—giving a net increase of NZ$1.3bn in official overseas debt.

Since floating the NZ dollar in March 1985, the government has seen no need to borrow overseas, except to refinance *maturing* debts or when it wanted to increase the country's overseas reserves, says Mr Douglas. Reserves currently stand at NZ$3bn compared with NZ$1.46bn *when the* Government took office in July 1984.



## DOMESTIC BOND MARKETS

### Tokyo prices close mixed

JAPANESE Government bond prices closed mixed on moderate volume. In over-the-counter trading, the yield on the newly emerging benchmark No 80 6.5 per cent issue, was unchanged from Friday yielding 5.56 per cent. The No 78 6.2 per cent issue moved higher to yield 5.575 per cent against 5.62 per cent.

Expectations of a drop in short-term interest rates and the appreciation of the yen against the dollar helped buying sentiment for the No 78. Traders thought short-term money rates would come down on the back of last week's cut in Japan's discount rate.

### Zurich steady in light volume

IN ZURICH, Swiss bonds *finished steady* in light volume, with some firming as much as 0.50 points and others easing by the same margin as the market paused after Friday's late firming trend.

Public authority bonds with coupons of 4½ per cent held steady as the volume of new issues on offer is relatively small and investors expect a further decline in yields.

Bonds with warrants ended mostly higher with the 3½ per cent Banca del Gottardo and the 3 per cent Swiss Bank Corporation bonds up 3 and 1½ points to 121 and 110 per cent respectively.

## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on February 3

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amev 10⅝ 92 | 100 | 103¾ | 104¼ | +0⅛ | +0¼ | 9.54 |
| Amex Credit 10⅝ 90 | 100 | 100 | 100½ | −0⅛ | +0⅛ | 9.29 |
| Atlan. Richfield 10⅝ 00 | 250 | 101⅞ | 101⅞ | +0⅛ | +0⅛ | 10.94 |
| Australia Com. 11 95 | 200 | 109¾ | 100½ | +0½ | +0⅞ | 9.42 |
| Australia Com. 11¼ 00 | 100 | 110⅜ | 110⅞ | +0⅛ | +0⅞ | 9.82 |
| BP Capital 11⅛ 92 | 150 | 106¾ | 107¼ | +0⅛ | +0⅛ | 9.56 |
| Campbell Soup 10⅝ 95 | 100 | 107¼ | 107⅝ | +0⅛ | +0⅛ | 9.30 |
| Canada 11⅛ 90 | 500 | 109 | 109½ | +0⅛ | +0½ | 5.73 |
| Canadian Pac. 10⅝ 93 | 100 | 105⅞ | 106⅜ | +0½ | +0½ | 9.88 |
| Canadian Pac. 12⅞ 99 | 75 | 110½ | 111 | +0⅛ | +0¼ | 10.83 |
| CEPME 10⅝ 91 | 100 | 104½ | 104⅝ | +0⅛ | +0⅛ | 5.09 |
| Chevron USA 12⅝ 89 | 800 | 104⅞ | 105⅜ | 0 | −0¼ | 10.46 |
| Citicorp 10 88 | 200 | 102⅜ | 102⅝ | +0⅛ | +0⅛ | 9.88 |
| Citicorp 10⅝ 95 | 200 | 102⅜ | 102¾ | +0⅛ | +0½ | 10.21 |
| Coca Cola 11⅛ 91 | 100 | 107⅞ | 108 | 0 | +0⅛ | 9.38 |
| Denmark Kgdm. 11¼ 89 | 100 | 106⅝ | 106⅝ | +0⅛ | +0½ | 9.82 |
| Denmark Kgdm. 11½ 90 | 100 | 107⅝ | 108¼ | +0⅛ | +0⅞ | 9.18 |
| Denmark Kgdm. 11⅛ 92 | 100 | 108⅞ | 109⅜ | +0¼ | +0⅛ | 9.46 |
| EDF 10 95 | 225 | 102⅜ | 102⅞ | +0⅛ | +1 | 9.54 |
| EEC 9⅝ 90 | 350 | 101⅞ | 102⅛ | 0 | +0⅛ | 5.04 |
| EIB 10⅝ 94 | 200 | 104 | 104½ | — | — | 9.50 |
| EIB 12 95 | 200 | 113¾ | 114¼ | +0⅛ | +0⅛ | 9.93 |
| Eli Lilly 10⅝ 92 | 150 | 105⅞ | 106⅜ | +0⅛ | +0⅛ | 8.90 |
| Equit. Lrd. Rlty. 10½ 97 | 100 | 101⅞ | 102⅜ | — | — | 10.21 |
| Export Dev. Cpn. 10 90 | 100 | 103⅞ | 104⅜ | +0⅛ | +0⅛ | 9.25 |
| Export Dev. Cpn. 12 89 | 100 | 108⅝ | 110 | +0⅛ | +0½ | 8.81 |
| Fed. Dep. Strs. 10⅝ 95 | 100 | 103 | 103½ | +0⅛ | +0⅛ | 5.57 |
| Ford Motor Crd. 10⅝ 91 | 150 | 103⅜ | 103⅞ | 0 | +0⅛ | 9.83 |
| Ford Motor Crd. 11⅛ 90 | 100 | 105⅝ | 106⅛ | +0½ | +0⅛ | 9.56 |
| Ford Motor Crd. 12 95 | 100 | 100⅞ | 108⅝ | +0⅛ | +0⅛ | 10.40 |
| Gen. El. Cred. 10⅝ 00 | 200 | 103½ | 104 | 0 | +0⅛ | 9.74 |
| GMAC 10⅝ 89 | 200 | 103⅝ | 104⅛ | +0⅛ | +0½ | 8.84 |
| GMAC 10⅝ 92 | 250 | 103⅛ | 103⅝ | +0⅛ | +0⅛ | 9.52 |
| IADB 9⅝ 95 | 200 | 101⅞ | 102⅜ | +0⅛ | +0⅛ | 9.66 |
| IADB 10½ 96 | 150 | 105⅞ | 106⅜ | +0⅛ | +0⅛ | 9.51 |
| Kellogg Co. 10⅞ 90 | 100 | 104⅞ | 105⅜ | −0⅛ | +0⅛ | 9.27 |
| Kellogg Co. 11⅛ 92 | 100 | 107⅛ | 107⅝ | +0⅛ | +0½ | 9.86 |
| LTCB 12⅞ 91 | 100 | 114⅝ | 115⅛ | −0⅛ | +0⅛ | 9.38 |
| Nippon Cr. Bk. 10⅝ 95 | 150 | 105⅝ | 106⅛ | +0⅛ | +0⅛ | 9.86 |
| Pillsbury Co. 10⅝ 92 | 100 | 102⅜ | 102⅞ | +0⅛ | +0⅛ | 9.74 |
| Proct. & G. 'A' 9⅝ 92 | 150 | 101⅞ | 102⅜ | +0⅛ | +0⅛ | 9.43 |
| Pru Realty S. 12⅝ 96 | 546 | 111⅛ | 111⅝ | +0⅛ | +0⅞ | 10.08 |
| Qantas Airways 10⅝ 95 | 140 | 105½ | 106 | +0⅛ | +0⅞ | 8.42 |
| Quebec Hydro 11½ 92 | 100 | 108⅜ | 108⅞ | +0⅛ | 0 | 9.70 |
| Queensld. Gvt. 10⅝ 95 | 100 | 103⅞ | 104⅜ | +0⅛ | +0⅛ | 9.56 |
| Ralston Purina 11¼ 95 | 150 | 109⅝ | 109⅝ | +0⅛ | +0⅛ | 10.10 |
| Ralston Purina 12⅝ 89 | 100 | 109⅞ | 110⅜ | +0⅛ | +0⅞ | 6.35 |
| Saskatchewan 10⅝ 92 | 100 | 106½ | 107 | +0⅛ | +0⅞ | 9.25 |
| Saskatchewan 11⅞ 89 | 150 | 109⅝ | 109⅝ | +0½ | +0⅞ | 8.83 |
| Statoil 10 90 | 170 | 103⅛ | 103⅜ | +0¼ | +0¼ | 8.80 |
| S. Wales Trsy. 11¼ 90 | 150 | 108½ | 109 | +0⅛ | +0⅞ | 9.16 |
| Swed. Exp. Cred. 10 92 | 100 | 103⅛ | 103⅝ | +0½ | +0¼ | 9.26 |
| Sw. Ex. Cr. 12⅞ 89 XW | 100 | 108⅝ | 108⅝ | 0 | +0⅞ | 9.48 |
| Sweden Kgdm. 10⅝ 90 | 200 | 106⅛ | 106⅝ | +0⅛ | +0⅛ | 8.85 |
| Sweden Kgdm. 11⅛ 89 | 200 | 107⅝ | 108⅛ | +0⅛ | +0⅛ | 8.90 |
| Sweden Kgdm. 11¼ 94 | 100 | 110½ | 111 | +0⅛ | +0⅛ | 9.86 |
| Tenneco Cpn. 10⅝ 95 | 150 | 104⅛ | 104⅞ | +0¼ | +0⅞ | 9.96 |
| Utd. Tech. Fin. 10⅝ 95 | 100 | 104⅛ | 104⅞ | +0⅛ | +1 | 9.85 |
| Victorian Rep. 11⅝ 92 | 150 | 109⅝ | 109⅝ | +0¼ | +0⅛ | 9.52 |
| World Bank 10⅝ 95 | 300 | 104⅜ | 104⅞ | +0¼ | +0⅛ | 9.35 |
| World Bank 12⅞ 94 | 200 | 117⅞ | 118⅜ | +0⅛ | +0⅛ | 9.86 |

Average price changes... On day +0⅛ on week +0⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 8 94 | 200 | 106½ | 107 | +0⅞ | +0⅛ | 6.94 |
| Austria Republic 7⅝ 94 | 200 | 105⅞ | 106½ | 0 | +0⅛ | 9.61 |
| Baxter Travenol 7⅝ 94 | 200 | 102⅜ | 102⅞ | 0 | +0½ | 6.93 |
| Copenhagen 7⅝ 95 | 150 | 102⅝ | 103⅛ | +0½ | +1½ | 6.91 |
| Credit National 8⅝ 94 | 200 | 107⅜ | 107⅞ | +0⅛ | 0 | 6.88 |
| Dow Chemical 6¾ 95 | 300 | 101⅛ | 102 | +0⅛ | +0⅛ | 6.50 |
| EIB 7⅛ 94 | 300 | 103⅜ | 104⅞ | 0 | 0 | 6.84 |
| ESCOM 8 92 | 150 | 94⅞ | 95⅜ | +0⅞ | +0⅞ | 9.05 |
| Ex.Im. Bk. Korea 7⅝ 90 | 100 | 100⅝ | 101⅛ | 0 | 0 | 7.40 |
| Ferrovie Dello St. 8 91 | 100 | 104⅞ | 105⅜ | 0 | +1½ | 6.77 |
| Finland Republic 7 92 | 200 | 102⅜ | 103¼ | +0⅛ | −0¼ | 6.44 |
| Gould Int. Fin. 7⅝ 91 | 100 | 104⅞ | 105⅜ | +0¼ | −0⅛ | 6.40 |
| Ireland 8⅝ 92 | 150 | 105⅝ | 106⅛ | +0½ | +0⅛ | 9.89 |
| Japan Fin. Cpn. 7⅝ 91 | 100 | 104½ | 105 | 0 | −0⅛ | 6.56 |
| Mtsbshl. H. 3½ 89 WW | 300 | 159⅛ | 161 | 0 | −2⅝ | −11.29 |
| Mtsbshl. H. 3½ 89 XW | 300 | 92⅜ | 93¼ | +0½ | −0⅛ | 6.05 |
| Mtsbshl. M. 3⅝ 89 WW | 100 | 105⅝ | 106⅛ | −0⅛ | 0 | 1.82 |
| Mtsbshl. M. 3⅝ 89 XW | 100 | 91⅞ | 92⅜ | +0⅛ | −0⅛ | 6.84 |
| Quebec-Hydro 7⅛ 95 | 200 | 104⅛ | 104⅞ | 0 | 0 | 6.46 |
| Renfe 7⅝ 95 | 100 | 104⅝ | 105⅛ | +0¼ | −0¼ | 7.00 |
| Soc. C. Nuclear 7⅝ 95 | 150 | 101⅛ | 101⅞ | +0⅛ | +0⅛ | 7.01 |
| Soc. C. Nuclear 8 91 | 100 | 106⅜ | 106⅞ | +0⅛ | +0¼ | 6.72 |
| S. Africa Tran. 7⅝ 92 | 100 | 92 | 92½ | 0 | −0⅛ | 9.18 |
| World Bank 7 95 | 600 | 103⅛ | 103½ | 0 | −0⅛ | 6.52 |

Average price changes... On day +0⅛ on week −0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Avon Cap. Con. 5⅝ 94 | 130 | †101 | 101½ | 0 | 0 | 5.21 |
| Br. Land Comp. 5⅝ 99 | 75 | †105 | 105⅝ | +0¼ | +0¼ | 5.94 |
| Council of Europe 8 92 | 120 | †104 | 104½ | +0⅞ | −1¼ | 5.28 |
| Creditanstalt 5⅝ 94 | 100 | †101½ | 101½ | +0⅛ | 0 | 5.30 |
| Deutsche Bk. 5⅝ 95 | 100 | *†104½ | 104½ | +1¼ | +0⅛ | 4.73 |
| EIB 5⅞ 94 | 130 | †103⅛ | 103⅝ | +0¼ | +1¼ | 5.34 |
| Gen. Occidentale 4½ 94 | 80 | †100 | 100½ | −1 | −2⅝ | 3.29 |
| Glendale F. S&L 5⅝ 95 | 100 | †99 | 99½ | 0 | +0⅛ | 5.62 |
| Ind. F. Finland 5⅝ 94 | 40 | †101 | 101½ | −1 | −0½ | 5.58 |
| Int. Am. Dv. Bk. 5⅝ 94 | 120 | †104 | 104½ | −0¼ | +0¼ | 5.51 |
| N. Zealand Steel 5⅝ 96 | 70 | †101 | 101½ | +0⅛ | 0 | 5.61 |
| Oberos. Ktwk. 5⅝ 95 | 100 | †102 | 102½ | +0¼ | −0½ | 5.07 |
| Olivetti Intl. 5⅝ 95 | 100 | †102 | 103 | +0⅛ | +0¼ | 5.16 |
| Pepsico 5⅝ 96 | 130 | *†102½ | 102⅝ | −1⅛ | −1⅛ | 4.88 |
| Ralston Purina 5⅝ 94 | 125 | *†103 | 103½ | 0 | −0⅛ | 4.52 |
| Boston Finance 8 94 | 130 | †101⅛ | 101½ | +0⅛ | 0 | 6.79 |
| Tokyo Elec. Pr. 5⅝ 93 | 120 | †104 | 104½ | +0½ | −0½ | 4.79 |
| Tokyo Metropolis 5⅝ 94 | 80 | †101½ | 101⅞ | 0 | −1⅛ | 5.62 |
| World Bank 5⅝ 94 | 150 | †103⅛ | 104 | −0⅛ | −0⅛ | 5.23 |

Average price changes... On day +0⅛ on week −0⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Allied-Signal 6⅝ 93 | 20 | 99½ | 100 | — | — | 6.80 |
| Caisse Nat. Tel. 6⅝ 92 | 25 | 98½ | 99 | +0⅛ | +0⅛ | 6.48 |
| Ford Motor Crd. 6⅝ 91 | 20 | 99½ | 99⅞ | — | — | 6.82 |
| Goodyear T. & R. 7⅛ 95 | 25 | 101⅛ | 101⅝ | +0⅛ | +1⅛ | 6.80 |
| Mt. Bk. Denmark 7 92 | 10 | 101⅛ | 101⅝ | +0⅛ | +1 | 6.72 |

Average price changes... On day +0⅛ on week +0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Barclays Au. 12⅝ 90 A$ | 50 | 92⅝ | 93⅛ | +0⅛ | +0⅛ | 14.86 |
| Creditanstalt 12⅞ 90 A$ | 50 | 98⅛ | 98⅝ | −0⅛ | −0⅛ | 13.22 |
| Pepsico C. R. 13 90 A$ | 50 | 99⅝ | 100⅛ | −0⅛ | −0⅛ | 12.90 |
| Swed. Ex. Cr. 13 88 A$ | 40 | 99⅝ | 99⅝ | +0⅛ | +0⅛ | 13.44 |
| Amex 10⅝ 90 C$ | 80 | †103 | 103½ | −0⅛ | −0⅛ | 9.77 |
| Canad. Pac. 10⅝ 90 C$ | 75 | †101 | 101½ | −0⅛ | 0 | 10.00 |
| CIBC 10⅝ 90 C$ | 75 | *†99⅝ | 100⅛ | 0 | +0⅛ | 10.72 |
| Genstar Fin. 11⅝ 95 C$ | 75 | †103⅛ | 104⅛ | +2⅛ | +1⅛ | 11.02 |
| Montreal 11½ 95 C$ | 75 | †102⅝ | 102⅞ | 0 | −0⅛ | 11.01 |
| Ryl. Trustco 10⅝ 90 C$ | 75 | †99 | 99½ | +0⅛ | +0⅛ | 10.84 |
| Sears Acc. 10⅝ 92 C$ | 75 | *†100 | 100½ | −0⅛ | 0 | 10.55 |
| Coca-Cola F. 17 90 NZ$ | 75 | 102⅝ | 103⅛ | — | — | 16.97 |
| Kredtbk. Lux. 17 88 NZ$ | 70 | 99 | 100 | 0 | 0 | 17.10 |
| Nordic I. Bk. 18 88 NZ$ | 75 | 99⅝ | 99⅝ | — | — | 18.33 |
| Copnhgn. C. 8 88 Ecu | 40 | 99⅝ | 99⅝ | — | — | 9.15 |
| Eutelsat 8 93 Ecu | 40 | 99⅝ | 99⅝ | — | — | 0.12 |
| Walt Disney 8⅝ 94 Ecu | 80 | 98⅝ | 99⅛ | — | — | 8.89 |
| Honda WW 3⅝ 90 Fl | 100 | 104⅛ | 104⅞ | −0⅛ | −0⅛ | 2.08 |
| Honda XW 3⅝ 90 Fl | 100 | 90⅝ | 91⅛ | 0 | +0⅛ | 6.42 |
| Thyssen 7⅝ 90 Fl | 75 | 102⅞ | 103⅜ | +0⅛ | 0 | 6.43 |
| Wereldhave 7⅝ 90 Fl | 75 | 102⅞ | 102⅞ | +0⅛ | −0⅛ | 6.79 |
| Wessanen 8⅝ 90 Fl | 75 | 100⅝ | 101⅛ | 0 | −0⅛ | 6.51 |
| Mobil Cpn. 11⅝ 90 FFr | 500 | 104⅜ | 104⅝ | 0 | +0⅛ | 9.97 |
| Amev 11 93 £ | 50 | 96⅝ | 96⅞ | +0⅛ | +1⅛ | 11.96 |
| Australia Com. 11 92 £ | 40 | 96⅞ | 97⅛ | −0⅛ | +1⅛ | 11.67 |
| EIB 11½ 93 £ | 50 | 98⅝ | 99 | +0⅛ | +2⅛ | 11.38 |
| GMAC UK F. 10⅝ 90 £ | 30 | 96⅝ | 97⅛ | −0⅛ | +1⅛ | 11.36 |
| Imp. Ch. Ind. 11⅝ 95 £ | 75 | 97 | 97½ | +0⅛ | +1⅛ | 11.73 |
| Imp. Ch. Ind. 10⅝ 92 £ | 75 | 94½ | 95 | 0 | +1 | 11.92 |
| McDonalds 10⅝ 90 £ | 40 | 97⅛ | 97⅝ | −0⅛ | +1⅛ | 11.66 |
| Mtsbshl. F. HK 11 90 £ | 50 | 97⅛ | 97⅝ | +0⅛ | +1⅛ | 11.78 |
| NSW Trsary. 10⅝ 92 £ | 50 | 94⅝ | 95⅛ | +0⅛ | +1⅛ | 11.75 |
| Rank Xerox 11 92 £ | 40 | 98 | 98½ | +0⅛ | +1⅛ | 11.86 |
| Royal Ind. 10⅝ 92 £ | 60 | 94½ | 95 | +0⅛ | +1 | 11.91 |
| J. Sainsbury 10⅝ 93 £ | 60 | 94⅝ | 95⅛ | −0⅛ | +1⅛ | 11.95 |
| Tricentrol XW 11 92 £ | 35 | 90 | 90½ | −0⅛ | +0⅛ | 13.30 |
| Tethsa. Forte 11⅝ 90 £ | 50 | 97 | 97½ | +0⅛ | +0⅛ | 11.97 |
| World Bank 11⅝ 95 £ | 100 | 98⅝ | 99⅛ | −0⅛ | +1⅛ | 11.42 |
| COE 8⅝ 95 LFr | 600 | 98⅝ | 99⅛ | −0⅛ | −0⅛ | 9.04 |
| N. Lux. Al. 10⅝ 92 LFr | 600 | 103⅜ | 104⅛ | +0⅛ | 0 | 9.66 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Abbey National 0 2000 £ | 0⅛ | 99.12 | 99.19 | 15/1 | 11⅝ |
| Anglia Bldg. S. 0 98 £ | 0⅛ | 99.48 | 99.53 | 14.4 | 11⅝ |
| Bankers Trust 5 2000 | 0⅛ | 99.80 | 99.90 | 11/3 | 8.31 |
| BFCE 5⅝ 99 | 0⅛ | 100.07 | 100.17 | 13/3 | 8⅝ |
| BNP 5⅝ 95 | 0.05 | 101.25 | 101.35 | 10/1 | 8.69 |
| BNP 5⅝ 99 | 0⅛ | 100.14 | 100.24 | 22/3 | 8⅝ |
| Britannia 0 93 £ | 0⅛ | 99.44 | 99.49 | 3/4 | 11⅝ |
| CCF 5⅝ 97 | 0 | 99.49 | 99.59 | 6/4 | 8.06 |
| Chase Man'tn 5⅝ 2009 | 0⅛ | 99.97 | 100.07 | 5/3 | 8.31 |
| Chicorp 0 2035 | 0.375 | 99.89 | 99.99 | 27/1 | 8.22 |
| Credit Lyonnais 5⅝ 90 | 0⅛ | 100.71 | 100.81 | 11/4 | 8⅝ |
| Credit Lyonnais 5 2000 | 0⅛ | 100.10 | 100.25 | 10/1 | 7.94 |
| EEC 0 90 | 0⅛ | 99.79 | 99.84 | 8/7 | 8.06 |
| ENEL 5 2000 | 0⅛ | 99.95 | 100.05 | 1/3 | 8⅝ |
| Ireland 5⅝ 97 | 0⅛ | 99.90 | 100.00 | 28/2 | 8.44 |
| Lloyds Bank Perp. | 0⅛ | 100.23 | 100.33 | 8/8 | 8⅝ |
| Midland Bk. Perp. 5 | 0⅛ | 100.17 | 100.27 | 15/8 | 8⅝ |
| NatWest Perp. A | 0⅛ | 100.18 | 100.28 | 8/7 | 8.31 |
| NatWest Perp. B | 0⅛ | 100.17 | 100.27 | 10/2 | 8⅝ |
| Prudential Cpn. 4 95 £ | 0.1 | 99.24 | 99.32 | 5/3 | 11.78 |
| R. Bk. Scotland 5 Perp | 0⅛ | 100.10 | 100.20 | 11/6 | 8.44 |
| R. Bk. Scot. 5⅝ 2005 £ | 0⅛ | 99.07 | 99.17 | 4/2 | 11⅝ |
| Societe Generale 5⅝ 97 | 0⅛ | 100.11 | 100.21 | 18/3 | 8⅝ |
| United Kingdom 0 92 | 0 | 99.97 | 100.04 | 7/7 | 8.06 |
| Woolwich 5 95 £ | 0⅛ | 99.28 | 99.33 | 19/2 | 11.69 |

Average price changes... On day +0.00 on wk. −0.01

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Ajinomoto 3 99 | 4/84 | 1053 | 140½ | 141½ | +3⅝ | 7.38 |
| Comcast 7 2000 | 12/85 | 23.87 | †119 | 110 | +1 | 19.22 |
| Fanuc 3⅝ 98 | 1/84 | 7032 | 203⅝ | 105⅝ | +1⅛ | 95.82 |
| Fuji Hvy. Inds. 3 2000 | 8/85 | 676 | 95⅝ | 96⅝ | +0⅛ | −7.85 |
| Fujitsu 3 99 | 9/84 | 1320 | 108⅛ | 109⅛ | +0⅛ | 12.28 |
| Kumagai Gumi 3⅝ 2000 | 3/85 | 600 | 104⅛ | 105⅛ | +2⅛ | 11.63 |
| Marui 3½ 99 | 7/84 | 1182 | 171 | 172 | +1⅛ | −0.94 |
| Mitsubishi Bank 2⅝ 00 | 8/85 | 1768 | 104⅛ | 105⅛ | +3⅛ | −1.81 |
| Mitsubishi Elec. 2⅝ 00 | 3/86 | 422 | 107 | 108 | +1⅛ | −0.66 |
| Murata 3½ 2000 | 7/85 | 2390 | 142⅛ | 143⅛ | −0⅛ | 17.17 |
| Nippon Elec. 2⅝ 2000 | 1/86 | 1256 | 129⅛ | 130⅛ | +0⅛ | 40.76 |
| Nippon Oil Co. 3 2000 | 5/86 | 923 | 113⅛ | 114⅛ | +0⅛ | −3.47 |
| OKI Elec. Ind. 3⅝ 99 | 10/84 | 806 | 110⅛ | 111⅛ | −1⅛ | −0.97 |
| Sekisui House 6 99 | 6/84 | 812 | 186⅛ | 187⅛ | +8⅛ | 2.49 |
| Sumitomo Bk. 2⅝ 2000 | 8/85 | 2142 | 98 | 99 | +1⅛ | 4.28 |
| Sumitomo Cpn. 2⅝ 99 | 5/84 | 580 | 149⅛ | 150⅛ | +2⅛ | 1.67 |
| Taiyo Yuden 3⅝ 2000 | 3/85 | 1078 | †110 | 117 | +4 | −2.20 |
| Takeda Rks. 3⅝ 2000 | 10/84 | 7863 | 110⅛ | 107⅛ | +0⅛ | 3.09 |
| Tokyo S'yo El. 3⅝ 99 | 12/84 | 772 | 107 | 108 | +0⅛ | 11.90 |
| Toshiba Cnmcs. 3 2000 | 4/85 | 1734 | 107⅛ | 108⅛ | +0⅛ | −2.32 |
| Nippon Oil 2⅝ 92 SFr | 2/84 | 1062 | †100⅛ | 100⅛ | +0⅛ | 13.67 |
| Nippon Shn. 2 92 SFr | 3/84 | 801 | †127 | 127⅛ | +3⅛ | 14.57 |
| Asics 5 92 DM | 12/83 | 520 | 108⅛ | 107⅛ | +0⅛ | 19.98 |
| Renown 3⅝ 90 DM | 3/85 | 875 | 107 | 108 | +2 | −4.20 |
| Sem Realty 6⅝ 92 DM | 2/83 | 338 | 422 | 423 | +31⅛ | 1.46 |

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France. (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

# INTERNATIONAL COMPANIES and FINANCE

## Canada Trust meets big banks head on

BY BERNARD SIMON IN TORONTO

CANADA TRUST last month became the first Canadian financial institution to make a credible claim that it was a serious rival to the country's big six banks. With headlines two inches high, double-page newspaper advertisements proclaimed that the leading trust and loan company "is now as big as the big banks."

The merger on January 1 between Canada Trust and Canada Permanent, the country's fourth largest trust group, created a concern administering assets of C$43bn (US$30.4bn), almost double the assets of National Bank, the sixth largest bank. In terms of personal savings deposits, Canada Trust is bigger than Toronto-Dominion Bank, Bank of Nova Scotia and National.

If Canada Trust's impact on the market-place could be measured only in terms of size, the banks might not have much to worry about. But this trust and two or three of its trust company counterparts can justifiably lay claim to being pace-setters in many of the changes sweeping through Canada's financial services industry.

Objecting to "a situation where equals compete on unequal terms," Mr William Mulholland, chairman of Bank of Montreal, told the bank's recent annual meeting that the trust companies "can do what we do. But we cannot do what they do. They can be a bank, but we cannot be a trust company."

Regulated by the Federal Bank Act, the banks are barred from fiduciary business such as trust and estate administration. No single shareholder may own more than 10 per cent of a bank's equity, thereby allowing the banks to forge only the loosest alliances with other financial service companies.

The provincially regulated trusts have no such restrictions. Their business is still heavily dependent on home mortgages and fiduciary services. But as the banks have become a major force in the mortgage market, the trusts have diversified into the banking field.

They offer a bewildering variety of deposit accounts, including cheque accounts, issue Visa and American Express credit cards, and finance motor vehicle purchases. Their corporate financial services have expanded to include term loans, guarantees and foreign exchange arrangements.

One of the few curbs on the trusts is a limit of 7 per cent on their commercial loan business as a proportion of total assets. But even this is likely to be changed soon. The Ontario Government published a Bill in December which will raise the ceiling to 30 per cent.

The services which the trusts themselves provide do not reflect their full reach. As a result of a series of mergers and takeovers in the past two years, the four biggest trust companies have not only grown substantially but have all become part of diversified and aggressive financial conglomerates. Canada Trust, based in London, Ontario, was acquired last year by Genstar, the Vancouver financial services and industrial group, which bought control of Canada Permanent in 1981. Genstar's other activities include container leasing, commercial real estate and venture capital.

Mr Mervyn Lahn, chief executive of Canada Trust, is widely regarded as one of Canada's most astute managers. Possibly alone among Canadian companies, the trust publishes detailed financial statements every month. "They're never on the defensive," says Mr Hugh Brown, financial services analyst at Burns Fry, the Toronto securities firm.

Royal Trust, with assets of C$54.1bn, is a subsidiary of Trilon Financial, a company controlled by the Toronto branch of the Bronfman family. Royal Trust's major shareholders also control London Life, a leading life insurer; Wellington Insurance, a property and casualty underwriter; and Hees International, the closest Canadian equivalent to a British merchant bank. Royal itself has a 51 per cent interest in Royal Lepage, Canada's largest real estate services company.

### Cautious approach

National Trust, with assets of C$29.5bn, was formed 18 months ago by the merger of two Ontario-based trust companies. More cautious than its bigger competitors, National is especially strong in fiduciary services and securities transfer. Its major shareholder, Mr Hal Jackman, the Toronto entrepreneur, also has extensive interests in the insurance business.

Like Mr Lahn at Canada Trust, Mr William Somerville, National's chief executive, is widely respected. "My objective is not to be the biggest, my objective is to be the best and have the best bottom line," he says, explaining his more cautious approach.

**Royal Trust lifted net income by almost one-third last year to C$112m (US$79m) or C$1.86 a share, from C$85m or C$1.60 in 1984. Total assets under administration at year-end rose from C$48.8bn to C$57bn. The trust's return on average corporate assets was 0.92 per cent, higher than any of Canada's major banks.**

**The increase in earnings was ascribed to growth in mortgages, corporate and consumer loans and securities "at attractive spreads."**

**Investment income rose by 14 per cent to C$ 1.38bn, while fees and commissions—including income from the real estate services division—more than doubled to C$ 566m.**

Mr William Mulholland, Bank of Montreal chief

Montreal Trust, the smallest of the four leading trusts, is part of Power Financial, the financial services arm of Montreal-based Power Corporation. Its sister companies include Great-West Life and Investors Group, a leading purveyor of mutual funds and personal financial advice.

The opportunities offered by these corporate links are well illustrated by a new service being offered by Royal Trust. Through its banking subsidiaries in London, England, Jersey and a newly-opened office in Tokyo, it wants to help British, Japanese and other foreign investors set up businesses in Canada.

The range of services it can provide either itself or through its sister companies, is remarkably wide. Among them are the selection of factory or office sites, building insurance, employee benefit and pension plans, group life and health insurance, inventory financing, share transfer arrangements, cheque accounts and car leasing.

Mr Michael Cornelissen, Royal Trust's president, says that "our dream is that corporate treasurers wanting to do business in Canada will say: 'It would be a mistake not to call on Royal Trust first'." Mr Cornelissen is looking for other "magic moments," as he calls them, where a customer's demand for one service, such as a house purchase, will give the trust and its associate companies an opening to market other products like a mortgage, home insurance and perhaps a savings account.

Less visibly but no less significantly, Royal Trust is aligning its computer facilities with other companies in the Trilon firmament.

Despite Canada Trust's self-congratulatory advertisements, the trust companies still lag behind the banks in several important respects. Their branch network is much smaller. Canada Trust has only 300 branches, less than a quarter of the number of Royal Bank of Canada. National Trust has no branches at all in the Atlantic provinces, though it is thinking of opening one in Halifax. While the Canadian banks have extensive international operations, only Royal Trust among the trust companies has significant interests outside Canada. Its London banking arm acquired a small insurance brokerage in 1984.

These apparent shortcomings also have some important advantages. The trusts' relatively modest branch networks help hold down expenses. Without the banks' international exposure, the trusts have also avoided the banks' Third World debt problems, including the need to set aside large provisions for non-performing loans.

These benefits are reflected in the trusts' financial performance. Royal Bank of Canada, the largest bank, lifted earnings by 8.4 per cent in the year to October 31 while at Canada Trust income jumped by 18 per cent.

### Earnings push

Royal Trust's return on assets in the nine months to September 30 was 0.99 per cent, compared with Toronto-Dominion's 0.85 per cent, the best among the banks. Royal Trust's mortgage disbursements jumped from less than C$500m in 1984 to C$1.5bn last year. It ascribes only a third of the increase to the strong housing market, with much of the rest made up of business funnelled from Royal Lepage, which was acquired at the end of 1984.

Mr Terry Shaunessy, financial services analyst at Merrill Lynch Canada, forecasts that both Montreal Trust and Royal Trust will push up earnings by 10-11 per cent this year, compared with an average of 9 per cent for the banks. The banks' growth is predicted mainly on stronger overall loan demand.

Recent proposals by Federal and provincial governments to deregulate the financial services industry have been further grist to the trust companies' mill. A controversial Green Paper published by Ottawa last April proposed allowing the conglomerates which own the leading trust companies also to establish their own banks. Restrictions on the existing banks, on the other hand, would remain intact, at least until the next review of the Bank Act scheduled for 1990.

These and other proposals are all on ice pending investigations into the collapse of two Alberta banks last year. The trust companies can probably afford to shrug off the delays. Recent events have shown that, unlike the banks, they do not need any significant changes in the law to pursue their aggressive diversification plans. As Mr Mulholland of Bank of Montreal put it: "Their field is open."

## Japanese cash chases high yields on US property

BY NOBUKO HARA IN TOKYO

JAPAN, currently the world's largest capital exporter, is also becoming one of the largest global property owners. The trend is particularly evident in the US, where the Department of Commerce estimates that Japanese investors last year spent $1.2bn on real estate—almost double the 1984 figure.

The pioneer has been Mitsui Real Estate Development, which is the biggest Japanese property company and co-owns Tokyo Disneyland. Nearly Y100bn ($515.5m), 10 per cent of its total assets, are in overseas property, and most of this is in the US. Among Mitsui's acquisitions are the 42-storey AT & T Centre in Los Angeles, jointly owned with Dai-Ichi Life Insurance; the Madison Avenue Hotel in New York; and the 500-room Halekulani Hotel in Hawaii.

In addition, the company owns several industrial parks on the West coast, as well as eight hectares (20 acres) of land in Los Angeles. Last year Mitsui added a $50m office block in Chicago, and a site opposite the New York City Library where construction of a 29-storey office block is due to start this year.

In the past year or so, the trend which started with large developers and cash-rich life insurance companies has spread to airlines, trading houses and small entrepreneurs. "Even a corn syrup company is buying property in the States," said Mr Hajime Tanaka of Dai-Ichi Life Insurance's overseas property division. Last year, Japan Air Lines bought the 815-room Essex House hotel in New York and began constructing another Chicago hotel costing $80m.

Trust banks, which manage Japan's lucrative pension funds, are eagerly waiting for Ministry of Finance (MoF) permission to enter the market. At least three of them have already formed tie-ups with US companies which can offer expertise in property investment.

The main attraction of the US market is a high cash-on-cash yield. Land prices in the prime districts of central Tokyo have risen so high—as much as Y30m per square metre—that returns in the first years are often less than 2 per cent. In the US 8 per cent is regarded as average, and 15 per cent is not beyond reach.

In addition, the US market is large and stable, offering a variety of properties to investors. "There is no market in Japan," says Mr Tim Grey of Morgan Stanley International. Centrally located office blocks rarely change hands in Japan, unless their owners are in financial trouble. In 1984, there were only two sales of any size in the Tokyo market, Mr Grey remembers. One involved a bankruptcy and the other was government owned.

The US tax system, moreover, permits a depreciation life for property which is nearly a quarter of that in Japan, where it is 65 years. This means a faster return on investment.

In December Dai-Ichi Life Insurance invested $100m in a half share of a newly built Citicorp centre in San Francisco. Dai-Ichi is one of the six major life insurance companies which are allowed by the MoF to invest in overseas property, and they are acting vigorously. The previous year Dai-Ichi made acquisitions in Baltimore and in Dallas, and its total US assets stand at some $250m.

Diversification of asset base is one reason for these moves, and has the motivation for the MoF to grant permission. But the more pressing reasons are their snowballing funds and limited investment opportunities at home. Life insurance companies' revenues are increasing by 14 per cent annually, according to Mr Tanaka. But cash-rich Japanese industry is in no need of the loans which once formed a large part of their business.

Ideally, insurance companies want to purchase more US securities, but the MoF limits this to 10 per cent of their total funds. Overseas property is thus their best alternative. Dai-Ichi's funds in the year to March are estimated to increase by $8.2bn. The company plans to allocate 3 per cent of this to real estate, probably in the US.

Despite the rapid growth, the investments made so far form a small fraction of the potential demand, says Mr Mayumi Oda of Mitsui Real Estate Sales. A lack of the expertise necessary to analyse the complex US market is making Japanese investors over-cautious, he adds: a view which is echoed by other analysts. But the new players are learning fast, experimenting with new methods of financing and developments. As Morgan Stanley's Mr Grey put it: "Above all, the Japanese have the cash and the desire to invest."

## NORTH AMERICAN QUARTERLIES

**CARLING O'KEEFE**
Brewing

| Third quarter | 1985-86 C$ | 1984-85 C$ |
|---|---|---|
| Revenue | 231.8m | 223.1m |
| Net profits | 2.2m | †8.1m |
| Net per share | 0.10 | †0.37 |
| Nine months | | |
| Revenue | 735.7m | 749.7m |
| Net profits | 4.9m | 17.4m |
| Net per share | 0.22 | 0.80 |

† Loss

**CHUBB**
Insurance

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Net profits | †29.7m | 37.2m |
| Net per share | — | 1.18 |
| Year | | |
| Net profits | 70.5m | 83m |
| Net per share | 1.92 | 2.84 |

† Loss

**R. R. DONNELLEY AND SONS**
Commercial printer

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 606.9m | 546.8m |
| Net profits | 46.3m | 41.1m |
| Net per share | 1.21 | 1.07 |
| Year | | |
| Revenue | 2.04bn | 1.81bn |
| Net profits | 148.4m | 133.9m |
| Net per share | 3.88 | 3.50 |

**KROGER**
Supermarkets

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 4.2bn | 3.9bn |
| Net profits | 57.6m | 56m |
| Net per share | 1.31 | 1.26 |
| Year | | |
| Revenue | 17.1bn | 15.9bn |
| Net profits | 169.7m | 156.6m |
| Net per share | 4.08 | 3.49 |

**POTLATCH**
Forest products

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 227.4m | 236.1m |
| Net profits | 4.37m | 10m |
| Net per share | 0.26 | 0.58 |
| Year | | |
| Revenue | 950.3m | 983.9m |
| Net profits | 37.7m | 49.6m |
| Net per share | 2.19 | 2.80 |

**ROTHMANS**
Tobacco, brewing

| Third quarter | 1985-86 C$ | 1984-85 C$ |
|---|---|---|
| Op. net profits | 4.4m | 2.4m |
| Op. net per share | 0.72 | 0.38 |
| Nine months | | |
| Revenue | 1.24bn | 1.2bn |
| Op. net profits | 13.5m | 25.1m |
| Op. net per share | 2.21 | 4.31 |

# UK COMPANY NEWS

## BICC's two year pension holiday

BY ERIC SHORT

BICC, the cable and wire-maker, is taking a two-year contribution holiday in 1986 and 1987 from payments into its company pension scheme.

The latest full actuarial valuation of the scheme — valued at £337m in 1985 — has shown a substantial surplus, though the company is not prepared to reveal its size.

After discussions with the board of trustees of the scheme, which include employee representatives, it was agreed to use at least part of the surplus to improve benefits to members and pensioners, as well as the company ceasing contributions for two years.

The effect of this contribution holiday will be to boost pre-tax profits in 1986 and 1987 by around £10m for each year. The company recorded pre-tax profits of £90m in 1984.

Company pension schemes are currently in a strong financial position following buoyant stock markets, heavy redundancies and comparatively low earnings rises below that assumed by the scheme's actuary in his contribution calculations.

There has been considerable discussion on the use of such surpluses and on the ownership of the assets.

However, BICC is allocating around £20m of the surplus to improve benefits. Pensioners will have their pensions increased by 1 per cent for each year since their retirement. This increase, together with increases made in recent years, will almost provide complete compensation against price inflation since the pensioners retired.

Existing employees are having an added period of service to their pension entitlement. For every completed year of service, an extra month will be added. Thus, an employee with 12 years service will have accrued 13 years of pension rights.

An employee cannot qualify for a pension of more than the maximum two-thirds of final earnings. But very few employees actually qualify for the maximum and at BICC, the pension is adjusted for the basic state pension. So all employees will benefit from this increase.

However, employees are not getting a contribution holiday. They will continue to pay 5 per cent of earnings to the scheme.

The 1985 returns of the scheme showed that there were around 15,000 employees who were members of the pension scheme, and 10,000 pensioners.

The share price rose 12p to 300p — a new peak — on the announcement before closing 5p up at 293p.

## Hawley expands in travel with £4m golf deal

By David Goodhart

The Hawley Group, the service industry based company headed by Mr Michael Ashcroft, has expanded its travel interests through the acquisition of World Golf Management for just under £4m (C$7.8m).

World Golf Management and its Montreal-based affiliate, International Golf, markets all-inclusive golf tours from the US to Scotland and Europe.

The deal is being paid for through the issue of 1m shares in Hawley Group and additional cash to take the combined value to C$5.5m. The final C$1.7m is to be paid one year after completion.

In the year to October 31 1985, the Intergolf Group produced net earnings of C$1.55m on gross revenues of C$7.84m. The president and principal shareholder of Intergolf, Mr Fergus J. McCann, is staying.

Hawley's Insight International Tours last year carried over 40,000 passengers into the UK and Europe, and has wholly-owned marketing operations in the US, Canada, Australia and New Zealand.

## Low response to Weir's opening bid

Weir Group, the engineering company which has launched a takeover bid for its Glasgow neighbour Yarrow, won acceptances for its original bid from the holders of 0.14 per cent of Yarrow's shares.

Weir, which already owns a 28.3 per cent stake in Yarrow, increased its offer on Friday from £18m to £20.4m. Its increased offer is open until February 14.

## Wadkin accepts Robinson's £9m

BY LIONEL BARBER

THE NEW management team at Thomas Robinson, the Rochdale-based engineer and machine maker, yesterday made their first significant acquisition with an agreed £9.3m bid for Wadkin, a machine tool and woodworking machinery manufacturer which operates from Leicester.

The deal creates a new group valued at around £20m, and brings together two of Britain's principal woodworking machinery companies employing a total of around 1,500 people. It more than doubles the size of Thomas Robinson, where Mr Graham Rudd and Mr Harry Pitt became executive chairman and finance director respectively three months ago.

Robinson, formed in 1838, has recently improved its performance making pre-tax profits of £907,000 in 1984, compared to a £697,000 loss in the previous year. This year, pre-tax profits are likely to remain the same, but Robinson says that streamlining of production and rationalisation will produce cost savings of not less than £400,000 per annum. Because of the rationalisation, Robinson is not going to pay a dividend for 1985, but will consider one for 1986, depending on results.

Wadkin made £47,000 pre-tax profits on £34.1m turnover in 1984 and this year is likely to make a loss following costs amounting to at least £200,000 through decentralising its operations. Some 240 jobs have gone in the last 12 months.

Robinson, advised by Hambros, is offering one share for every share in Wadkin, advised by Robert Fleming. Robinson closed last night up 13p at 195p, and Wadkin up 2p at 190p. There is a cash alternative of 165p per share.

Full acceptance of the deal would involve Robinson issuing 4.8m new ordinary shares, which would represent 55 per cent of the enlarged ordinary share capital, or 42 per cent on a fully diluted basis. The Wadkin board is unanimously recommending the offer and intends to accept in respect of its own shares representing 8.8 per cent of Wadkin.

Mr Michael Goddard, chairman of Wadkin, and Mr Leslie Robinson, deputy chairman, are to join the Robinson board. It is intended that Robinson's business will be transferred to a wholly-owned subsidiary so that it will become an industrial holding company.

## Thomson lifts stake in NSS

D. C. Thomson, the Dundee-based publisher, of the Beano, Dandy and a range of provincial newspapers, has doubled the size of its stake in NSS Newsagents to more than 10 per cent.

Thomson, a privately-owned company, has held a stake of just over 4 per cent in NSS for several years but took its holding to more than 5 per cent a week ago. It has now raised its holding to 3.2m shares of 10.06 per cent.

Mr Alan Bowen, managing director of NSS, said Thomson "did not seem a likely predator." NSS had previously indicated its 4 per cent holding was a long-term investment.

NSS had not sought a meeting with Thomson nor had it considered meeting Thomson to discuss its intentions, Mr Bowen added.

Thomson achieved one-third of its profits from investment activity so the increased holding was not automatically a prelude to a bid, NSS said. Thomson has no retail interests.

NSS has about 500 outlets selling newspapers, confectionery and tobacco. It made pre-tax profits of £4.82m in the year ended September 1985 on turnover of £173m.

A PAYE settlement following an Inland Revenue audit and payment of a management consultancy fee helped depress profits from the £5.81m of the year before when turnover was £153m.

NSS's shares were unchanged at 140p.

## Bowring advances

Profit before tax at C. T. Bowring improved by 36 per cent from £34.8m to £47.4m in the year to December 31 1985. Operating revenue rose from £111.7m to £137.1m, a 23 per cent increase over 1984.

Bowring is a subsidiary of Marsh & McLennan Companies, which provides insurance and other professional services worldwide.

## Ladbroke plans move into local newspapers

By Raymond Snoddy

Ladbroke Group is planning to move into local newspaper publishing on a significant scale.

The bookmaking, hotels and property concern is expected to announce later this week that it is paying between £8m and £9m for a majority stake in Senews, a Hastings-based publishing and printing group.

Senews is the publisher of six paid-for titles and 10 free newspapers in the East Sussex and South Kent area and is also involved in contract printing.

Negotiations are believed to be at an advanced stage between Ladbroke and the Senews chairman Mr Robert Breare, who would stay on as managing director and shareholder.

Ladbroke already publishes three free newspapers in Brighton, Bournemouth and Portsmouth under the Entertainer title. In 1983 the company also bought a 75 per cent stake in United Trade Press, publishers of technical and scientific publications, and an 80 per cent holding in Home & Law, publishers of free consumer magazines.

The Senews deal would be Ladbroke's largest investment in publishing so far.

The company is considering moving into local newspapers on a significant scale for the first time because it has been pleased with the performance of its publishing investments. City analysts have been speculating that publishing could turn out to be the "fourth core" business that Ladbroke has been seeking for some time.

Mr Breare, who is 32, sold a family newspaper publishing business in the Harrogate area in 1984 to United Newspapers and moved to the south east.

He acquired a group of Westminster Press weeklies, including the Hastings Observer, the Bexhill Observer, the Folkestone Herald, the Dover Express and the South Kent Gazette. Senews installed web-offset presses and replaced the old hot metal technology with photocomposition and acquired further titles.

## Guinness underwriting deal to face inquiry

BY DAVID GOODHART

THE INVESTMENT protection committee of the Association of British Insurers seems certain to consider the unusual underwriting deal in Guinness's agreed merger with Distillers when it meets next week.

The discussion appears likely to reflect the continuing disquiet among a large number of institutional shareholders about Distillers' reluctant agreement to shoulder Guinness's £18m-plus underwriting costs.

One fund manager with shares in Distillers and Guinness who was also involved in the underwriting of the deal said yesterday: "A number of big shareholders have been continuing to talk to each other about this and a number of courses of action are still being considered."

However it appears that at the present time that does not include either action in the courts to try and have the move outlawed under section 151 of the Companies Act or the calling of an EGM. Although no fund manager was himself willing to take the legal plunge several yesterday said they would support anyone who did.

The Argyll Group, which had its £1.9bn bid for Distillers topped by the Guinness offer, is happy to keep the unrest alive but is also reluctant to take legal action at least until the full details of the underwriting agreement are revealed in the Guinness offer document. Guinness and Distillers for their part consider the row over the agreement a minor irrelevance when compared with the industrial logic of the whole deal.

It seems that most big shareholders and underwriters now accept that there is little that can be done about the Guinness-Distillers arrangement but are keen to stop a "poison pill" precedent being set.

Another fund manager involved in the underwriting of both the Argyll and the Guinness bid said: "We would like to see the law clarified in the whole area of what boards can spend shareholders funds on in the course of defending a bid."

Mr Howard Smith, the unit trust funds investment manager of the TSB, said he turned down an offer of underwriting the Guinness bid because he had heard that Distillers was paying the holders costs. He commented yesterday: "It's an unfortunate precedent and while we think that it's too late to do anything about it this time we believe that the Companies Act should be amended to stop it in the future."

Mr Geoffrey Browne, the chief investment manager at Sun Alliance, agreed that the precedent was dangerous and added "its not difficult to see the possible abuses."

**Mr Ernest Saunders, chief executive of Guinness, yesterday hit back at claims from the Argyll Group that its merger plan with Distillers would lead to job losses by asserting that in fact it would probably lead to jobs being created.**

**He said: "If we can increase Distillers' sales of Scotch whisky by just two per cent we can start to take the mothballs off the 21 closed distilleries." Mr Saunders said on Sunday night that those closures had caused the loss of 7,000 jobs at Distillers in the last five years.**

**He repeated his claim that the combined group would increase its world market share of whisky—which together at present stands at about 12 per cent. "We will regain some of the two-thirds of the world whisky market which has been taken by non-Scotch whiskies and that will mean the creation of wealth for Britain and jobs for Scotland," he said.**

**Mr Saunders added: "A great deal of unnecessary anxiety has been caused to employees in the Scotch whisky industry by recent alarmist comments. I should therefore like to reassure people that as a result of our merger with Distillers there will be no loss of employment within Bell's and it will remain independent in the UK."**

## Tesco sells Victor Value

Tesco, the supermarkets group, is to sell Victor Value, its High Street discount grocery business with 45 branches, to the Bejam group, the frozen foods and appliances retailers, in a deal worth more than £10.2m.

Bejam is to pay £5.25m in cash for the business, and will assume Tesco's liabilities, which include £5m in bank borrowings.

The Victor Value division of Tesco, with turnover on an annualised basis currently estimated at around £100m, was devised in 1982, and almost all the stores are conversions of former Tesco supermarkets. The outlets, selling a limited range of about 1,100 lines, all use EPOS scanning equipment.

Tesco's current strategy is to upgrade and refurbish its existing stores in addition to opening edge of town superstores. Tesco has 111 superstores out of a total of 364 stores when the Victor Value deal is completed.

Bejam, a specialist retailer of mainly frozen foods and appliances, has 224 stores of an average selling space of 5,000 sq ft. In the year ended June 1985, the group's turnover rose by 11.8 per cent from £302.97m to £338.73m, and pre-tax went up 22.65 per cent to £19.22m.

At present, some 23 per cent of Bejam's sales are from non-frozen goods. The acquisition will double Bejam's non-frozen food buying power.

## W'hampton & Dudley sets new deadline

Wolverhampton & Dudley Breweries said yesterday that it was extending the deadline for consideration of its bid proposals for Davenports, the Birmingham brewer, by the Baron Davenport's Charity Trust which holds a 19.95 per cent stake in Davenports.

On Friday W. & D. said its new offer proposals remained available for acceptance by the Charity until February 4.

Yesterday's announcement gave a deadline of February 7.

## BSI agrees Marshall's terms for board places

BY MARTIN DICKSON

THE CHAIRMAN and managing director of British Syphon Industries, the acquisitive industrial holding company, have been appointed non-executive directors of Marshall's Universal, in which BSI acquired a 25.56 per cent stake last November.

In return, BSI has agreed that while it is represented on the board, and for six months thereafter, it will not make a bid for Marshall's unless this has the backing of the company's directors.

Marshall's, which fought off a bid from Grovebell Group in 1984, has interests ranging from car park ticket machines to self adhesive stickers.

The move comes two weeks after BSI blocked an attempt by Marshall's to take control of Skelmersdale Packaging, by voting against the deal at an EGM.

Mr Bryan Morrall, chairman of BSI, said he and Mr C. J. Shaw, his managing director, "intend to use our best endeavours to assist the directors to develop Marshall's for the benefit of all shareholders."

He added that, as the company's largest shareholder, BSI should have a direct involvement in decisions and "not be in the silly situation we had a couple of weeks ago."

Analysts said the board seats would give the BSI team access to information which would be useful in deciding whether or not to launch a bid.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Bullough | 5.5† | Mar 27 | 8.1 | 8.2 | 12.6 |
| English Trust ......int | 1 | April 8 | *0.91 | — | *2.73 |
| Industrial Precision§ int | 1.23 | Mar 1 | 0.62 | — | 2.06 |
| Textured Jersey ......int | 2.25 | April 1 | 1.75 | — | 5 |

Dividends shown pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| ABN Bank | 12½% | ■ Hambros Bank | 12½% |
| Allied Dunbar & Co. | 12½% | Heritable & Gen. Trust | 12½% |
| Allied Irish Bank | 12½% | ■ Hill Samuel | ‡12½% |
| American Express Bk. | 12½% | C. Hoare & Co. | 12½% |
| Amro Bank | 12½% | Hongkong & Shanghai | 12½% |
| Henry Ansbacher | 12½% | Johnson Matthey Bkrs. | 12 % |
| Associates Cap. Corp. | 12½% | Knowsley & Co. Ltd. | 13 % |
| Banco de Bilbao | 12½% | Lloyds Bank | 12½% |
| Bank Hapoalim | 12½% | Edward Manson & Co. | 13½% |
| Bank Leumi (UK) | 12½% | Meghraj & Sons Ltd. | 12½% |
| BCCI | 12½% | Midland Bank | 12½% |
| Bank of Ireland | 12½% | ■ Morgan Grenfell | 13½% |
| Bank of Cyprus | 12½% | Mount Credit Corp.Ltd. | 12½% |
| Bank of India | 12½% | National Bk. of Kuwait | 12½% |
| Bank of Scotland | 12½% | National Girobank | 12½% |
| Banque Belge Ltd | 12½% | National Westminster | 12½% |
| Barclays Bank | 12½% | Northern Bank Ltd. | 12½% |
| Beneficial Trust Ltd | 13½% | Norwich Gen. Trust | 12½% |
| Brit. Bank of Mid. East | 12½% | People's Trust | 13½% |
| ■ Brown Shipley | 12½% | PK Finans. Intl. (UK) | 13½% |
| CL Bank Nederland | 12½% | Provincial Trust Ltd. | 13½% |
| Canada Permanent | 12½% | R. Raphael & Sons | 12½% |
| Cayzer Ltd. | 12½% | Roxburghe Guarantee | 13 % |
| Cedar Holdings | 13 % | Royal Bank of Scotland | 12½% |
| ■ Charterhouse Japhet | 12½% | Royal Trust Co. Canada | 12½% |
| Citibank NA | 12½% | Standard Chartered | 12½% |
| Citibank Savings | ¶12½% | TCB | 12½% |
| City Merchants Bank | 12½% | Trustee Savings Bank | 12½% |
| Clydesdale Bank | 12½% | United Bank of Kuwait | 12½% |
| C. E. Coates & Co. Ltd. | 13 % | United Mizrahi Bank | 12½% |
| Comm. Bk. N. East | 12½% | Westpac Banking Corp. | 12½% |
| Consolidated Credits | 12½% | Whiteaway Laidlaw | 13 % |
| Continental Trust Ltd. | 12½% | Yorkshire Bank | 12½% |
| Co-operative Bank | *12½% | | |
| The Cyprus Popular Bk. | 12½% | | |
| Duncan Lawrie | 12½% | | |
| E. T. Trust | 13 % | | |
| Exeter Trust Ltd. | 13 % | | |
| Financial & Gen. Sec. | 12½% | | |
| First Nat. Fin. Corp | 13½% | | |
| First Nat. Sec. Ltd. | 13½% | | |
| ■ Robert Fleming & Co. | 12½% | | |
| Robert Fraser & Ptrs. | 13½% | | |
| Grindlays Bank | ‡12½% | | |
| ■ Guinness Mahon | 12½% | | |

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 8.30%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

¶ Mortgage base rate.

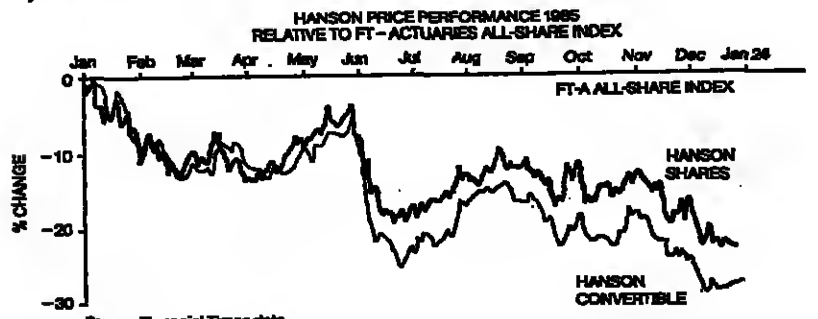
§ Demand dep. 8¼%. Mortgage 13%.

# If you want to know what to do about Hanson's 'paper,' ask Hanson's shareholders.

Last summer, when Hanson Trust's shareholders were invited to take more Hanson paper via a rights issue, they gave it a resounding 'thumbs down.'

As well they might.

Since January 1985, Hanson has issued 1,200 million new shares, and plans to issue hundreds of millions more in its bid to take over Imperial.



Source: Financial Times data

No wonder the market is appearing to be suffering from acute indigestion.

The future value of this paper is questionable, too, as it depends on a rate of growth which Hanson companies alone will find very difficult to sustain.

Almost all of Hanson's companies operate in declining industries – 77% of the 1985 operating profit came from them.

The choice of companies – bricks, shoes, textiles, and batteries amongst them – is clearly a commitment to industries in decline.

And the trading performance of the long-established Hanson businesses is largely pedestrian.

Hanson's growth rate can therefore only be sustained by 'buying' profit. It has to make more and more acquisitions; something that becomes increasingly difficult as each one needs to be bigger than the last.

What's more, in 1985 Hanson paper performed dismally, falling some 20% compared with the FT All-Share index.

Against this record, in the same year, Imperial shares outperformed the index by some 25%.

And since 1981, Imperial profits have more than doubled.

Behind Imperial shares is over £1·5 billion of shareholders' net assets, and famous brands such as Courage Best, Hofmeister, John Smith's Bitter, Ross, Golden Wonder, Lea & Perrins, John Player Special and Superkings.

We believe Hanson can bring no industrial or commercial advantages to us at all.

So if you want to know what to do about Hanson's offer, the answer is: Hands off.

Famous brands doing famously.
IMPERIAL GROUP

The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. The directors accept responsibility accordingly.

# UK COMPANY NEWS

## £15m BES plan for pubs and shops

BY ALICE RAWTHORN

TWO NEW companies, Lockton Retail Stores, a group of leather furniture stores, and Lockton Inns, a chain of "family" public houses, are seeking to raise £7.5m each under the Business Expansion Scheme. They are the largest single company issues under the scheme this tax year.

The two offers have been sponsored, but not underwritten, by merchant bank Guinness Mahon, which sponsored last year's largest BES venture by raising £10m to launch Lockton Developments. The bank has since scouted about for suitable projects to sponsor under the Lockton name this year.

Lockton Retail Stores plans to run a chain of edge-of-town leather furniture stores throughout south London. These will be franchisees for Leatherland, which by opening almost 50 stores in mainland Europe over the last five years, has become the world's largest leather furniture retailer.

Leatherland opened its first British store 18 months ago in north London. Once Lockton's initial five stores are established it can exercise options on a further 40 sites in towns throughout southern England.

The average turnover for a Leatherland store in Europe is just over £1m a year and the north London store claims sales of £150 per square foot, which is much higher than the average for the furniture sector.

Lockton Inns proposes to create a chain of pubs in the south of England, each close to either the M25, M3, M4 or M5 motorways. Each will be a free-house and will aim to meet the demands of their individual locations, but also each will be structured as "family" pubs with heavy emphasis on fresh food.

The company plans to open 25 pubs over the next two years. Turnover should vary between £50,000 and £200,000 a week for each unit. Six suitable freehold pub sites have already been identified and the company is looking for more.

Both companies plan to issue 7.5m shares at £1 each, although Lockton Retail Stores could start trading with a minimum issue of 1.5m shares and Lockton Inns with just 1m shares. Both offers open on February 6 and close on March 15, so that investors can claim tax relief for the 1985-86 fiscal year.

The Lockton issues are part of a recent rush of Business Expansion Scheme ventures timed to surface before the end of the fiscal year end before the March Budget, in which the Chancellor is expected to tighten scheme regulations, especially those relating to heavily asset-backed share issues.

Over recent months the scheme has been heavily criticised, chiefly because too many projects have involved lucrative share option schemes for directors and because too few have fulfilled the Government's original intention of creating employment.

Guinness Mahon has structured both Lockton ventures to counter this criticism. In both issues directors must purchase shares on the same terms as ordinary investors and both should generate job opportunities with 10 to 11 people being employed in each pub or store.

## Board shuffle as New Court profits fall

SHARPLY LOWER profits and further boardroom changes were announced by New Court Natural Resources yesterday.

Profits for the six months to end September fell to £213,000 pre-tax from £919,000 and the company is to have a new chairman from March.

New Court is quoted in the UK but carries out all its oil and gas exploration and production activities in the US.

In November a boardroom split led to the departure of both Mr David Hayllar, the chairman, and Mr Grant Manheim, deputy chairman and chief executive ofg the company's sole operating subsidiary, Murray Hill Oil and Gas.

In a statement accompanying the interim results Mr A. F. MacLeod Matthews, temporary chairman, said that o dispute with Mr Manheim (who, like another former director, is also a member of the board of bankers N. M. Rothschild) is continuing. This concerns provisions in the former chief executive's employment contract relating to o luxury apartment in New York.

Following the departure of the two key members in November, the New Court board was bolstered by the appointment of Mr David Hooker and Mr George Gardiner. However, Lord Swann, another board members, resigned soon afterwards, leaving only two of the original seven-man board in place.

It has now been decided to elect Mr Andrew Reynolds, formerly of Carless Capel and Leonard, as a part-time executive chairman from March.

In addition Mr Jack Barton has been appointed chief executive of the operating subsidiary and a member of the board. He was latterly employed by Carless Capel.

New Court has also changed bankers from N. M. Rothschild to Hambros and is currently engaged in a review of both US interests and head office costs.

The expense of the Avant development has had an adverse effect on the company's cash balances. According to Mr John Clark, a member of the board, "the current position is that of an overdraft of some $1m," whereas in March the company had £2m surplus in the bank.

Asked obout prospects of finding a partner to buy a portion of the Avant water flood project, Mr Clark said: "I do not think that ot this time we could get e partner into Avant et terms sufficiently attractive to us."

The chairman also warns in his statement that "some significant provision against the carrying value of the group's properties is likely" at the year end in March due to the fall in oil and gas prices.

Oil production averaged 520 b/d (470 b/d previously) of which some two-thirds was from North Avant in Oklahoma. Gas production fell from 256,000m cu ft to 156,000m cu ft. Average oil prices were almost $2 lower ot $24.50 per barrel and gas was 13 cents lower at $2.1 per million cubic feet. However, operating costs at Avant increased to $10 barrel in the half year.

On sales of £2m (£2.2m) the company, after allowing for expenses of £781,000 (£551,000) and depreciation and amortisation of £531,000 (£551,000) has reported gross profits of £700,000 (£1.17m).



## Mail order side behind Andre de Brett's progress

Andre de Brett, Wembley-based group operating a direct mail order business and retail shops specialising in outsize clothing, has reported a pre-tax profits jump from £37,000 to £112,000 in the six months ended September 30 1985.

Mr Jock Linton, chairman of this USM-quoted group, says that although mail order sales in the UK improved, retail sales continued to disappoint and this side of the business is under review. Total group sales were just £77,000 ahead at £2.85m.

He says that further progress has been made to reduce borrowings and interest charges. From an operating profit of £176,000 against £113,000, interest charges this time were £12,000 lower at £64,000.

However, the directors do not consider it is prudent to resume dividend payments. The last payment the group made was a 1p interim in respect of the half-year ending September 1983.

The group's Norwegian company showed further progress in the period and the Dutch subsidiary made a *small* profit. Harlequin, the computer bureau company, however, could not be made profitable without substantial further investment.

The chairman states that the board could not justify this course and accordingly Harlequin was closed in October. Its first half losses have been included in the results, and the final costs of the closure will be dealt with in the year-end figures.

## Taddale losses reduced

Taddale Investments, the industrial holding company chaired by Sir Monty Finniston, has "drastically reduced" its central costs and cut its losses to £365,000 pre-tax at the interim stage.

At the end of the previous year these stood at £2.1m. Sir Monty says order books are stronger than at this time last year and all trading companies, with the exception of Arrow Construction, are meeting their budget costs and delivery times.

Although there are a number of problems outstanding these are slowly being resolved and be is bopeful thet they will be completed in the current year.

Turnover of the Kent-based group for the six months to October 31 1985 totalled £9.32m (£18.14m for the previous full year). Operating profits of the trading subsidiaries emerged at £858,404. Sir Monty says this represented 80 per cent of the £1.11m returned for the 1984-85 year. The figure was struck after deducting £8.46m (£17.02m for the period) cost of sales and overhead costs.

After deducting head office expenses, the costs arising from discontinued activities, amounting to £222,833 (£1.44m) group operating profits for the half year amounted to £635,571 (loss £332,091 for year).

The chairman says he is confident that the company's improved profitability will continue to the end of the year and that Taddale is on course for further profitability through its trading companies.

## Reebok profit surge to boost Pentland

Pentland Industries, the UK footwear distributor, will receive a further boost from Reebok International, its 40.7 per cent owned US running shoes associate, in the 1985 year.

Reebok saw profits increase nearly ten-fold in the final quarter, from US$2.97m (£2.56m at exchange rates ruling at the end of 1984) to $29.47m (£20.39m at end 1985 rate). Pentland said yesterday that the Reebok results would have a substantial impact on its earnings in the past year, which are expected to be announced in the spring. Pentlond shares rose 10p to close at 335p last night.

The final quarter outcome lifts Reebok to $78.11m (£54.04m) for the full year, against comparable figures of $12.16m (£10.5m). Of this, £12.51m (£2.94m) is attributable to Pentland — almost as much as the group made pre-tax from all operations in the 1984 year.

Annual earnings per share attributable to Pentland rose from an adjusted 6.33p to 26.89p.

**LADBROKE INDEX**
1,151-1,155 (−7)
Based on FT Index
Tel: 01-427 4411



## Hanson's shares to be listed in New York

By Martin Dickson

HANSON TRUST, the aggressive industrial holding company bidding £1.8bn for Imperial Group, yesterday announced plans for its shares to be listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

Under Sir Gordon White, head of its North American operations, Hanson has expanded rapidly over the past decade in the US, which now provides half its profits. Recent acquisitions include SCM, the chemicals-to-typewriter group, taken over last month, and US Industries, bought in 1984.

Sir Gordon said yesterday that a listing seemed appropriate, given the size of the group's US investments and numerous requests for information about Hanson from, among others, former shareholders of SCM and US Industries.

Only a small proportion of Hanson shares are held in the US where several banks offer "unsponsored" ADR facilities—that is, a facility to buy shares without the sponsorship of the company concerned.

Now, Hanson has retained Rothschild Inc in New York to advise on a sponsored ADR facility. Discussions have already taken place with the New York Stock Exchange, which would welcome a listing, Hanson said.

Sir Gordon said the listing was not being made with a view to a new issue of Hanson shares, but rather to develop an additional market for existing ones.

Meanwhile, a decision is expected shortly from the British Government on whether to refer to the Monopolies Commission the Hanson bid for Imperial, and Imperials rival plan for a merger with United Biscuits.

A merger between Imperial and United would give the combined group a major share of the UK snack foods market, which could provide grounds for a referral.

The Government has not made clear whether, if it refers the Imperial/United deal, it would also automatically refer the Hanson bid.

## Tarmac sells two offshoots to Parkfield

Parkfield Group, the USM-quoted engineering and electrical distribution group, is paying £3.75m for two Tarmac subsidiaries, William Lee, a malleable casting manufacturer, and Durham Tube, a steel tube producer.

Lee mode a profit before management charges and tax of £515,000 on turnover of £7.5m in the year ended December 1985, *while Durham Tube* made profit of £187,000 on sales of £2.3m.

Parkfield believes, however, it can make savings of about £700,000 a year ot Lee by rationalisation and technical changes.

Parkfield will finance the deal by the issue of 2.75m 7 per cent cumulative convertible redeemoble preference shares 2005 of £1 each and 468,176 now ordinary 5p shares. The preference shares are convertible at a rate of 100 for every 40 ordinary shares.

## Office furniture helps Bullough to 22% rise

AFTER A relatively static interim result, Bullough, the Surrey-based engineer and furniture manufacturer, picked up in the second half and ended the year to October 31 1985 with pre-tax profits 22 per cent ahead at £12.37m.

The improvement was largely due to "another excellent performance" from the office furniture operation Project, said Mr Derrick Battle, managing director, and a rise from Hago Products, part of the special products division.

The Westwood and Business Aids acquisitions again did well, said Mr Battle, but George Barker, the refrigeration equipment business, was disappointing.

On the debit side, Beanstalk and Elcom Systems, respectively in retail and telecommunications equipment, incurred losses.

The final dividend of 5.5p, up from an adjusted 4.57p, is declared on capital increased by last year's £11.5m rights, bringing the total for the year to 8.2p (7.1p). Earnings per share are shown at 21.08p (18p).

Group turnover moved ahead from £88.57m to £105.37m, and after tax at £5.21m (£4.39m) net profits came out at £7.16m (£5.73m), of which £3.85m (£2.14m) was retained.

● **comment**

After a disheartening set of interims figures for Bullough analysts cut a large slice from full year forecasts, only to be caught well short of the mark. It seems that George Barker, the refrigeration subsidiary, bad a stop go-year in wbich delays in M and S ordering patterns during the first half were unwound towards the end of the second, producing a result that was much better than expected. If 1985 marked Bullough's first year of consolidation since 1982—with eps growth of only 17 per cent compared to its usual 30 per cent—1986 should see the company moving sharply forward again. The two tiny purchases of flooring companies made since year end have scarcely dented the rights proceeds, and an active search is in progress for e major acquisition. Even on the basis of existing activities Bullough should make at least £14.5m this year, with Beanstalk due to wipe out lasts year's loss of £500,000, and with Elcom, the other trouble maker now sold. A prospective p/e of 9 on yesterday's price of 227p, up 15, takes little account of the company's track record.

## Bigger market share at Textured Jersey

THE OPENING six months for Textured Jersey saw profits rise by 88 per cent, product range continue to broaden and market share gain further ground.

On top of this the directors say sales to Marks and Spencer and its suppliers were particularly encouraging.

They add that the eppeal of knitted fabrics, especially in the sportswear and leisurewear areas, is reflected in the strength of the order book and point out that they would be disappointed if the business did not continue to make encouraging progress.

Turnover for the first six months (to October 31 1985) improved from £8.05m to £8.72m and ot the pre-tax level profits pushed ahead by £216,000 to £533,000. And with earnings emerging 3.13p bigher ot 8.27p the interim dividend is being increased from 1.75p to 2.25p

The profits included only £100,000 (£150,000) by way of insurance orising from the fire at Corby in September 1983. A further final payment of £100,000 will be incorporated in the second half accounts—last year this period took in a £250,000 insurance payment.

Operating profits for the opening holf rose from £677,000 to £946,000. Depreciation accounted for £338,000 (£290,000 and interest eharges for £75,000 (£70,000).

# THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

AN UNUSUAL French venture is launching itself on to the Paris Bourse today with the intention of seducing middle managers to leave their jobs in large groups to run independent businesses.

## Champion of the semi-independent

**David Marsh on a French company seeking to back spin-offs from large corporations**

Dynaction, a holding company operating from a small office in the unfashionable Paris suburb of Boulogne, is run by Henri Blanchet, 40, and Christian Moretti, 39, former investment bankers who decided four years ago to team up to form their own business developing small companies.

The duo have taken advantage of large corporations' growing tendency to shed peripheral activities. They have also shown how it is possible to breathe new life into former big company subsidiaries by giving management more independence and a slice of the ownership—a recipe which is being successfully tested by the increasing number of management buy-outs in the UK and US as well as in France.

Dynaction's flotation of 10 per cent of its equity on the second marche—or unlisted section of the Paris stock market—is planned as a step in the process of building up a conglomerate of semi-independent small businesses.

The group already owns five electronics and engineering companies with a total turnover of FFr 210m (£20.4m) and net profits of FFr 15m (£1.46m) last year. Blanchet and Moretti plan gradually to build up their mini-empire by acquiring perhaps two enterprises a year—offering management a stake of 25 per cent in their companies and the chance to run them with minimal interference.

"A lot of people of our age have had enough of working in large groups. They might earn a lot of money but are tired of the politicking that goes on and want to be their own boss," says Moretti. "We can give them a place—and the only constraint is that they run their businesses well," says Blanchet.

Blanchet and Moretti met while studying at the Ecole des Hautes Etudes Commerciales (HEC), France's prime business school, at the end of the 1960s. Both worked in the industrial department of Paribas investment bank before Blanchet progressed through a number of finance directorships, while Moretti built up his investment banking expertise at the Banque Privee de Gestion Financiere (BPGF).

Both declare themselves examples of the sort of motivated managers they want to attract. Moretti points out that increases in income tax rates in recent years, coupled with an easing in capital gains taxes have come to provide extra incentives for executives to sink savings in their own enterprises.

Blanchet started the ball rolling in 1982 by acquiring for the symbolic value of FFr 1 a French subsidiary of the US group Beatrice Foods—a loss-making concern, Cryo-Diffusion, manufacturing tanks and transfer equipment for liquified gases. After the departure of the three previous directors of the company—one of whom, an American, could not even speak French, a new manager was brought in and the group reorganised. Last year, Cryo Diffusion, employing 87 people, made estimated net profits of FFr 4.5m on FFr 49m turnover and is aiming for an independent flotation in another two years.

Two French companies from the Belgian Electrobel group, electrical equipment concern Compagnie Continentale d'Equipements Electriques (CEE) and its subsidiary CCS, which makes video and remote control electronic equipment, were acquired in 1983. This was followed by purchase of Matlabo, a company manufacturing specialised laboratory teaching equipment, and precision engineering group Risoud.

Although CCS and Matlabo have faced recent problems owing to strong competition and fluctuating sales, Blanchet and Moretti believe the financial foundations have been laid for recovery. Management changes have been made in three of the five Dynaction companies since they were taken over. In all cases except CEE (which is itself already quoted on the second marche), Dynaction holds a majority stake with executives owning a minority of the shares.

Blanchet and Moretti aim to use Dynaction's flotation to provide an avenue for tapping fresh capital for future acquisitions. Additionally, they want to attract the attention of companies and managers looking for a new owner to help them solve financial or industrial problems.

"We want to make our concept known to the public," says Moretti. "For instance we can provide a way of solving problems of succession when a patron dies or wants to retire. And large groups in France are becoming more interested in spinning off peripheral activities—they now realise they can't always be in 36 different areas at once."

If the flotation goes ahead as planned, Blanchet and Moretti will reduce slightly their combined 88 per cent stake in Dynaction. The medium offer price of FFr 125 per share, valuing Dynaction at roughly nine times net 1985 earnings, puts a capitalisation on the company of around FFr 90m.

Even though they have profited from the buoyant bourse conditions in France during the last three years, Blanchet says the group does not have to rely on continued stock exchange buoyancy to finance acquisitions. It has FFr 10m in cash ready for purchases.

"The important thing is not to have any fixed long term plan but to take advantage of opportunities as they arrive," he added.

## 'Too much' expected of small business

**Ian Hamilton Fazey talks to the new head of the CBI's smaller firms council**

JEAN PARKER is the other woman from Grantham in British public life. She even went to the same school as the town's more famous daughter, Margaret Thatcher.

Parker takes over today as chairman of the CBI smaller firms council, a post she will hold for two years. With Lord Young, the Employment Secretary, addressing today's council meeting, her job as leader of the CBI's official lobby group for small business will begin in earnest from day one.

Though Parker accepts that comparisons between her and the Prime Minister are inevitable, she is wary of them. For Parker has earned her place in the public eye through her own efforts. If Margaret Thatcher has had anything to do with it, it is only because of the increasing importance her government attaches to small business.

Lord Young and the Prime Minister may not be too happy with all of her views. For example: "The Government expects too much of small business. It's absolute balderdash to say that small firms will be the saviours of the economy. I cannot see that a quarter of the unemployed are going to have the qualities that will make them successful entrepreneurs," she says.

Nor is she entirely in step with other small business lobbyists who argue that simplification of paperwork will create hundreds of thousands of new jobs.

She says: "More jobs will come from existing small firms taking on people and deregulation will be useful for that. But making things simpler may not be the answer because people don't like change and would have to get used to a new operation.

"I think it would be better to abolish many requirements altogether by raising the thresholds at which they start to operate. For example health and safety policy must be written down if more than five people are employed. If the number were higher that would be one piece less of red tape for small businesses to deal with," she adds.

What is both unusual and interesting about Parker is that she has a foot in so many different camps.

Her father started the family business of Vacu-Lug traction tyres in 1949. It reconditions big tyres, such as those that go on tractors and other agricultural vehicles. With 400 employees it is hardly small and her role now is part-time as company secretary.

As well as holding several non-executive directorships of medium to large companies Parker is one of Grantham's tax commissioners.

Her small business qualifications are highly practical: five years ago she set up Langpark, a group of very small companies. Langpark's biggest project is the conversion of an old maltings into 15 workshops for other small businesses, one of them her own—a wholesaling operation to supply high-quality goods for sale in the souvenir shops of local stately homes.

Another Langpark business makes cold castings from resins, so she understands something about the smaller end of manufacturing too.

The maltings project, which began in 1982, has taught her a lot about interest rates and tight margins. Rents in the East Midlands are low. Grantham is not a development area and the only suitable building for the project was two miles too near the town to qualify for help from the Council for Small Industries in Rural Areas (Cosira).

"Every 1 per cent rise in interest rates means that payback on the project comes another six months later," she says.

Where she hopes to make an impact is in encouraging more and better training. "Training has got to be re-organised so that small business people can get some," she says. "They can't afford the time to take even a week off for a course.

"A lot of problems arise because the entrepreneur is not trained in business. We want more open learning, more short courses, more things done through small business clubs, which might stage seminars or meetings."

She thinks that banks and other lenders could play a decisive role by making training a compulsory condition of borrowing. Controversially, her view is that the carrot should be a lower interest rate for those who agree—on the grounds that risks should be lower.

## Where skills are at risk

**Nick Garnett on the dilemma facing a Northern entrepreneur**

"COMPANIES are like people. They start up, they are vigorous, then they decline and die. Clogs to clogs in two generations. I know it is fatalistic but what else can you do?"

Joe Harvey owns the type of business which is deemed so unglamorous and undynamic that few people outside its customers pay it any attention.

Like so many of Britain's remaining small family-owned engineering companies, J. J. Harvey, a pattern and toolmaker on the edge of Manchester, began life just after the Second World War in seamy surroundings (a railway arch). Since then, though in bigger premises, it has experienced no great sea changes. No massive switches in attitudes or in the organisation of labour have invaded the shopfloor. New trade union laws have largely passed it by. Its workforce has gone up and down but at just over 100 is pretty much what it was five years ago.

While great swathes of engineering disappeared all around the small company, J. J. Harvey has carefully reinvested in second hand machinery, swum with the tide of new markets and kept itself intact. Some years it makes a profit, some it does not. Computer numerical controls have been bolted on to its machines but the skills that give the company its life—expert machining and shaping—remain unchanged.

Harvey, an apprentice pattern maker at the age of 15, drives a second hand Ford Granada, purchased with 7,000 miles on the clock. He has no hobbies, does not play golf. Instead, to the disgust of his wife, he works every Sunday at the plant in the small terraced house township of Denton.

But what will be the fate of J. J. Harvey and companies like it? Like so many entrepreneurs of his generation—the very people the present Conservative Government is so keen to encourage—Harvey is in his early 60s and at some stage must retire, but his son does not want the business. Harvey's will specifies that the company should be sold as a going concern or broken up. At the moment Harvey cannot see anyone wishing to buy his company. "It's valued at £1m but you wouldn't get that. Anyway if you had £0.5m you could put it in the bank and get a 12 per cent return. Why buy a company like this?"

As it happens, J. J. Harvey is not up for sale. Harvey himself still loves the job though he sometimes wonders why. The main power cable in the factory blew up one night last month and he had electricians out at 4 am. But the owner is coming up to the time of life when financial security for himself and his wife is more than a fleeting shadow in his mind.

What happens to companies like J. J. Harvey is of more than passing interest and not just to the people employed there. The company is a fount of traditional skills, still vested in many manufacturing countries. Framed membership certificates of the National Society of Master Pattern Makers and the Gauge and Toolmakers Association adorn the walls of offices where desks are strewn with technical drawings. It also offers six people proper three year engineering apprenticeships, shaming much bigger companies that have seemingly turned their back on youth training. In a country like West Germany where much more metal shaping has survived, J. J. Harvey would be more in the mainstream of life.

Meanwhile Harvey himself and his skilled engineers and drawing office work hard selling precision injection mouldings and pressure diecasting tools and dies for customers including Ford, British Aerospace and Rolls-Royce. Cabs for ERF trucks, Opel roofliners, the air meter testing gear for the RB211 jet engine, checking body panel fixtures for the Ford Cortina and even toilet seats in China have been made from moulds produced by J. J. Harvey. Two Sinclair C5s in the company's cramped downstairs hallway had their plastic bodies made from J. J. Harvey moulds.

Aerospace has been a growth area for the company but its owner is upset at the decline of British engineering. He also bemoans the lack of loyalty big manufacturers display to tool makers. "We quote for £40m worth of business before we get £2m. Japanese tool makers get an 80 per cent return on their quotes. They know if they do a good job they are going to get a continuing percentage of business from the big manufacturers they do business with."

Harvey points to a letter from Fokker, the Dutch aircraft builder, outlining a part for which it requires a mould. "Sure we'll tender for that job," Harvey says. "It's bloody hard selling tools but you wouldn't do it unless you enjoyed it."

Mike Arron

Joe Harvey: sometimes wonders why he loves the job

## In brief...

**THE London Enterprise Agency (LEntA) and National Westminster Bank will today unveil a £20,000 scheme to help small business innovation and product development.**

The money will be disbursed in five or six individual grants to innovators and companies with bright new product ideas. This is the fourth award scheme of its kind.

Winners in earlier years include a computer system for extending the capabilities of brain-damaged people, a rudderless sailing dinghy and bolt-on spare wheels which stop vehicles from sinking in soft ground.

They will be among the 13 ventures taking part in a LEntA-sponsored innovation exhibition, due to open today at the Design Centre in London's Haymarket and which will run throughout February.

The size of awards will vary according to inventors' specific requirements and entries should be sent to LEntA by the end of May. The selection panel will consist of members of the Design Council, National Westminster and LEntA. Details from Geraldine Davies, LEntA, 69 Cannon Street, London EC4N 5AB. Telephone 01-236 2675.

# Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

## Are you considering an Insurance Subsidiary?

If your Company's insurance requirements are sufficiently substantial to consider creating your own insurance broking subsidiary leading to registration at Lloyd's, our clients would be interested in hearing from you.

The client is a well established Lloyd's Broker, in which a highly successful International Trading Group has a major interest. A joint venture would be contemplated.

Please write initially to Peter T Willingham at Spicer and Pegler Associates, Friary Court, 65 Crutched Friars, London, EC3N 2NP, including the names of any Brokers to whom your details may not be forwarded.

Spicer and Pegler Associates
Management Services

## Investor seeks Business Opportunities

Prominent investor with outstanding track record, seeks development, commercial/industrial properties or business companies seeking expansion opportunities/finance. Very substantial cash funds immediately available.

*Full details to Box F6273, Financial Times*
*10 Cannon Street, London EC4P 4BY*

## MARKETING AND MONEY — AN HONEST ANSWER

Quickly and professionally we will appraise your marketing and financial strategy. Whether you are large or small, confident or worried we can help. 'WE' are the ex-Chairman and ex-Finance Director of Plcs who will welcome opportunities to put a cutting edge to first-class products and/or services. We will introduce finance if it is needed but are not looking for a buck door to equity participation. We are interested in making money for you and us by producing results. You may not like us and what we offer and we may not like you. Neither of us will ever know unless we discuss it.

For a preliminary discussion at a time and place of your choosing ring: 0942 496505 and speak to R. D. Lonsdale or write to Tambow Holdings 28 Upper Dicconson Street, Wigan, Lancashire WN1 2AG

## NEW BUSINESS

If your Company is seeking new products, processes or technologies for profitable international exploitation then our specialist services in international technology based business development are geared to your needs. New product and technology search and marketing undertaken in a wide variety of industries and covering Europe, Japan and North America plus high quality licenses for direct sale through our representatives of selected major overseas companies.

We have a successful record with clients and full details are available from:
Dr Derek A. Newton, Director
SPA TECHNOLOGIES LTD
18 Arlington Avenue, Leamington Spa
Warwickshire, England
Tel: 0926 32228/9 — Telex: 312440

## JCB SERVICE

JCB Service is the Parts Marketing and Technical Service company of JCB, the leading British manufacturer of construction equipment. We are responsible for the supply and marketing of parts to around 50 U.K. and 350 export distributor points.

As such we are interested in hearing from manufacturers of specific products in the construction equipment, automotive or related fields, with a view to increasing the product range offered through our established distributor body.

For more information please write or telephone:
Neil Allen, JCB Service,
Rocester, Uttoxeter, Staffs ST14 5LS
Telephone: (0889) 590312.

## HAVE YOU CONFIDENCE IN YOUR ABILITY

A rapidly expanding group of companies engaged in Overseas Residential and Commercial Property, Mergers and Acquisitions, International Sales and Marketing, and Financial Services, requires an active Director with initiative and determination, to assist with the development of existing markets and to share in the rewards created by a team of creative entrepreneurs. Equity participation £20,000.

Please reply in strict confidence with your C.V. to:
*Box F6269, Financial Times*
*10 Cannon Street, EC4P 4BY*

## MARKETING DIRECTION

We bring to our clients many years experience in the marketing and sales of many products and services. This, combined with our financial awareness ensures sound, professional advice. We are one provide all back-up services if required and we make certain your marketing is effective.

For further information contact:
ZETHER MARKETING SERVICES
242-244 St John Street
London EC1V 4PH
Tel: 01-250 3988 — Telex: 896559

## GENEVA

FULL SERVICE IS OUR BUSINESS

- Law and Taxation
- Mailbox, telephone and telex services
- Translation and secretarial services
- Formation, domiciliation and administration of Swiss and foreign companies

BUSINESS ADVISORY SERVICE S.A.
7 Rue Muzy, 1207 Geneva
Tel: 36.05.40

## ★ BRIDGING LOANS ★ SHORT TERM CAPITAL

We have fast short-term finance (3-9 months) for property owners
Domestic or business
No brokers' fees
CASLEY FINANCE LTD
9 Artillery Lane, London E1 7LP
Tel: 01-377 8484

## MEDICAL ELECTRONICS

Company with well established product range, in patient monitoring equipment. Turnover £750,000, 70% through overseas agents, wishes to acquire or merge with company with wider product range. Will consider outright sale or £150,000 cash injection to take advantage of large USA market potential.

*Write Box F6217, Financial Times*
*10 Cannon St, London EC4P 4BY*

## BRITISH GRIT!

Frustrated individual with expertise, flair and vast 'life' experience interwoven with true "BRITISH GRIT" seeks financial backer possessing the same "GRIT" as himself. New venture within the field of communication offering exciting unlimited potential combined with excellent future prospects, both financial and developmental.

REQUIRED FINANCIAL BACKING SUPPORTED BY 'BRITISH GRIT' IN THE REGION OF £130,000

A working directorship could be available but 'GRIT' essential

*Principals only please to: Managing Director, Box F6266, Financial Times*
*10 Cannon St, London EC4P 4BY*

## SPECIALIST ENGINEERING FIRM IN HAMPSHIRE

Seeks equity partner with up to £50,000 to invest, to assist consolidation of present position and support expansion. Experience in marketing and selling an advantage.

*Write Box F6256, Financial Times*
*10 Cannon St, London EC4P 4BY*

## UNIQUE OPPORTUNITY FOR INVESTMENT IN BORDEAUX

Negotiations are well advanced for the acquisition of several wine-producing Chateaux of substance. Income negligible. Total investment c. £16m. Min application £100,000

*Write Box F6257, Financial Times*
*10 Cannon St, London EC4P 4BY*

## BUSINESS BUYERS INTERNATIONAL

We specialise in leveraged buyouts exclusively representing buyers
We will:
★ Search ★ Appraise
★ Structure ★ Negotiate
★ Assist to ★ Close
financing
We have obtained financing for 80% of our clients' acquisitions
8 Campus Drive, Parsippany
NJ 07054, USA
Tel: (201) 285-1771
Telex: 325749 BBI USA

## FILM-VIDEO INDUSTRY B.E.S.

Independent production company has exclusive rights to additional subjects suitable for development as films for television and video cassette distribution.

This is a speculative investment but potential rewards within B.E.S. framework fully justify risk.

Investment range: £20,000 - £100,000

For full details please reply to:
*Box F6271, Financial Times*
*10 Cannon Street, EC4P 4BY*

## PUBLIC RELATIONS EXECUTIVE

with special experience in communications from the very large to the small group, finds himself free to employ his skills for the benefit of a company which may require a consultant, but does not need the services of an agency. Complete back up facilities available with a service that can be tailored to individual requirements.

*Write Box F6254, Financial Times, 10 Cannon Street, London*

## BUSINESS DEVELOPMENT FINANCE

Unlimited business development finance available for viable proposals of all kinds, including company rescue and start-ups. Access to numerous sources of business finance including £50m venture capital fund
01-240 8288

## PROFITS: £¼M PLUS?

Cash rich expanding fully quoted PLC looking to acquire for CASH/SHARES/LOAN STOCK Companies making profits before tax of at least £250,000. Full details in the strictest confidence to:
The Chairman,
Box F6268, Financial Times
10 Cannon St, London EC4P 4BY

## FOR SALE AS A GOING CONCERN

MIGHTY MIDGET 1 ...

*Write Box F6261, Financial Times*

## EXPORT/ELECTRICAL

Orders declining! Reps travel costing too much! New markets to explore! We are well established Export Marketing Managers and we can help.

*Replies in strictest confidence to: Box F6263, Financial Times*
*10 Cannon St, London EC4P 4BY*

## NEW PRODUCTS

Monthly review of significant new product launches worldwide.
New Products International
Dept FTB, 15 Selvage Lane
London NW7 3SS or
Phone 01-953 5600

## LOOKING FOR ACQUISITIONS?

Over 450 opportunities to acquire going concerns or business assets were available last year. Cost £45 p.a.

*Free sample and introductory offer from: Business Search & Insolvency Supplement*
*28 Baldwin Street, Bristol BS1 1SE*
*Tel. (0272) 272250*

## NEW PROFESSIONAL CONSULTANCY

PARTNER/DIRECTOR

Matured person over 55 or recently retired, preferably qualified, ma am specialising in acquisitions, mergers and property development, also working in partnership with top management, to identify and pursue opportunities for expansion projects. Capital required to return for equity £20,000-£25,000.

*Write Box F6260, Financial Times*
*10 Cannon St, London EC4P 4BY*

## COMMODITY FUTURES BROKER

Commission Income £1 Million P.A. seeks Merger/Share Swop/Takeover with small stockbroker, licensed dealer to smooth cyclical income aberrations.

Reply in strictest confidence.
*Box F6270, Financial Times*
*10 Cannon Street, London EC4P 4BY*

## CITY PR FIRM PROFITS £20,000+

SEEKS CONTROL OF CLEAN FULLY-LISTED CASH "SHELL" COMPANY

*Write Box F6245, Financial Times*
*10 Cannon St, London EC4P 4BY*

## Furnished Block of 4 Beachside Luxury apartments.

ALCUDIA
DEVELOPER WISHES TO SELL
£140,000. Bargain £100,000.
Details:
KERRY, DRAKELOW HOUSE
Burton-on-Trent 0283 66311 (Day)
68105 (Evenings)

## Residential MORTGAGES AND RE-MORTGAGES

FOR BEST RATES
Telephone:
M. E. Leggett & Co Ltd
Victoria Chambers
Fir Vale Road, Bournemouth
Tel: 0202 23791

## SWISS MANUFACTURERS CONSUMER PRODUCTS

*Write Box, Financial Times*

## EXPORT

(MIDDLE EAST & WEST AFRICA)
IMMEDIATE DECISIONS

For FMC stocks — disc/samples — etc. Pharmaceuticals — foodstuffs — All 100% export guaranteed. We are buying agents, exporters and confirmers, and own UK warehouses — we also require new products for export.

*Write to: Chairman, Box F6261*
*Financial Times*
*10 Cannon St, London EC4P 4BY*

## ENGINEERING COMPANIES EXPAND IN INDIA

A New Delhi based Engineering Co with varied industrial experience and contacts offers to represent or market products for viable processing and allied machinery/know-how.

*Write Box F6264, Financial Times*
*10 Cannon St, London EC4P 4BY*

## INDUSTRIAL BUILDING ALLOWANCES 1985/86 SUSSEX

Management available
Price £300,000 inclusive 2 year guarantee
(0303) 65773 — Mr Hoar

## MEDICAL ELECTRONICS

Small high-tech company with unique Medical Product already proved in UK hospitals, seeks buyer or working partner to enable exploitation of substantial world wide market potential. Additional spin-off product for military or industrial use.

*Write Box F6267, Financial Times*
*10 Cannon St, London EC4P 4BY*

## FOR SALE

We are a Specialised Software House and have developed a Sophisticated Suite of Programs to run on Viewdata. It is a unique system with high income potential ... It is for sale to a Professional Marketing Co.

*Write Box, Financial Times, 10 Cannon Street, London EC4P 4BY.*

## PRIVATE OR COMMERCIAL

- BRIDGING LOANS
- PROPERTY FINANCE
- MORTGAGES

Choularton Limited
2 London Wall Buildings
London EC2M 5PP
01-628 4200

## EXCLUSIVE MARKETS IN EUROPE

Unique floor safety products, massive potential, high returns. Full distributor programme/training. Extensive UK sea. National operation.

SLIP STOP (EUROPEAN) LTD
163 Highcross Street
Leicester, England (0533) 57468

## COMPUTER — SOFTWARE

We wish to undertake projects in India-Delhi time trade zone. Lower costs, finance and hassle-free cooperation offered.

Contact:
Robsonia (UK) Ltd
191 Westbourne Grove
London W11 2SB
Tel: 01-229 8701/8702
Telex: 298571 RBSNIA G

## BUSINESS VENTURE

Experienced businessman with some exceptional product lines looking for an association/partnership with "company/individual to promote its products. Small Mayfair office can be shared for any type of operation. Write or telephone the Director, Monetrade Ltd, College House, 29-31 Wrights Lane, London W8. 01-602 7181, ext 217.

## SPAIN IN THE EEC

Businessmen visiting Spain requiring an excellent meeting place to conduct their business
Please contact:
HOTEL PALLADIUM
Paseo Mallorca, Palma, Mallorca
For reservations: 010-34-71-713945
The meeting place for all Spanish businessmen

## SPANISH WINES

Distributors of wines from Northern Spain sought on exclusive basis throughout UK or regions. Must stock and demonstrate reasonable outlets.

*Write Box F6265, Financial Times*
*10 Cannon St, London EC4P 4BY*

## FUNDS AVAILABLE SOUTHERN FRANCE AND ELSEWHERE

For Industry, Development and tourism
Contact:
Richard Budd
01-518 6922

COMPANY INTERESTED in injection of working capital not exceeding £100,000 and prepared to offer employment to investor's experienced representative. Please contact Box F.6262, Financial Times, 10 Cannon St, London EC4P 4BY.

YOU WANT PROFESSIONAL SALES ENGINEERING AGENTS in the UK? We maintain a database of Freelance Agents/Distributors. Link up with the professionals, contact Dept. 20, Institute of Sales & Marketing Management, 31 Upper George Street, Luton, Beds. (0582) 412130.

YOUR OWN COMPUTER COMPANY. We require Computer Agents throughout the UK. High earnings on a commission basis. Full product training provided. For further details write to: Farmgate Computers, Riverside House, Warwick Road, CARLISLE, Cumbria CA1 2BS. Tel. (0228) 48349.

## CHINA

EXPORT/IMPORT TRADE

The chief executive of the Hong Kong office of a British company experienced in international trade will be available in UK late February to meet companies seeking to develop export and import trade with China. Confidentiality will be strictly observed. Interested principals should write forward information and bank or other suitable reference to Box F6258, Financial Times, 10 Cannon Street, London EC4P 4BY.

## FIRST CLASS BUILDING TEAM

Based in W. Yorkshire
Experienced in all aspects of Property Repairs, Great Work Extensions etc. Requires financial backing to expand into buy — renovate—sell of existing properties
JIM McKEEMAN
TEL WAKEFIELD 382226
after 6 pm please

## OLD ESTABLISHED SUCCESSFUL FAMILY BUSINESS

Manufacturing/fitting specialist products for building industry. Wide trade market. Full order book. Investment capital £100,000 total. Write Box F6272, Financial Times 10 Cannon Street, London EC4P 4BY.

STOCK/EQUIPMENT of Electronic Engineering Company for sale—£7,400 and lease. View by appointment. Liquidator 01-272 8901.

IBA'S—The last client. 100% tax relief. Waldon Industrial Properties Ltd. 0802 82 4746 (24 hour Answerphone).

# Business Services

## CORPORATE FINANCE CONSULTANTS LIMITED

A Professional Consultancy Company offering Financial Advisory Services to the Corporate Sector.

Short/Long Term Facilities can be arranged for Flotation, Capitalisation or Acquisition purposes.

Minimum £1,000,000

*Principals only should write to:*
77 Moscow Road, London W2 7EL or
Telephone: 01-727 6474 Telex: 8953620

## CITYBOND

CITYBOND STORAGE SERVICES PLC
We have the City's confidence 01-353 5998

## Offshore & UK Companies

Incorporation and management in UK, Isle of Man, Channel Islands, Turks, Panama, Liberia, Gibraltar, Hong Kong, etc. Domiciliary and nominee services.

SELECT CORPORATE SERVICES LTD.
3 Mount Pleasant, Douglas, Isle of Man
Tel: Douglas (0624) 23718
Telex: 628554 SELECT G
London representative:
2-8 Old Bond St,
London W1
Tel: 01-493 4244
Telex: 28247 SCSLDN G
SCS

## FINANCE

Lines of credit up to £5m arranged by qualified Bankers for individuals/corporates with viable proposals. Special expertise in corporate, property and international transactions. Write or telephone with details:

HOLGATE & ASSOCIATES
4/6 Bury St, London SW1Y 6AB
Telephone: 01-930 6472

## FINANCE

VENTURE CAPITAL
for equity and/or long term fixed interest loans

TRADE FINANCE
letter of credit/preshipments back to back/imports export UK purchases

We are consultants who help you raise funds best suited to your needs.

VERITÉ LIMITED
8 Maddox St London W1R 9PN
01-408 1152 Tx: 264490 CTF LDN

## Take the plunge!

© 1980

But reduce the risks!

We can help to make your Business Project successful from start-up ventures to major capital flotations.

Offices at:
Canonbie, Cumbria, Keighley, Uttoxeter, Nottingham, Whatton, Stamford, Lowestoft, Leighton Buzzard, Letchworth, Aylesbury, Thame, Oxford, Gloucester, Marlborough, Reading, Maidenhead, Guildford, Leatherhead, Esher, Richmond, Sutton and London.

HODSON & ASSOCIATES
BUSINESS EXPANSION SPECIALISTS
Contact: Noel Hodson
14 Brookside, Oxford OX3 7PJ
Telephone: (0865) 69384

## LIMITED COMPANIES

FORMED BY EXPERTS
FOR £108 INCLUSIVE
READY MADE £111
COMPANY SEARCHES
EXPRESS CO. REGISTRATIONS LTD
Epworth House
25-35 City Road, London EC1
01-628 5434/5, 7361, 9936

## QUALITY RENTED HOUSES FLATS AVAILABLE

In Notts, Derby, Lincs, S. Humberside and Yorks areas. Short and long lets. Immediate occupation can be arranged in most areas. Suitable for professional people only
ABACUS ACCOMMODATION AGENCY LTD.
Tel: Nottingham (0602) 501593
Grimsby (0472) 30537
Scunthorpe (0724) 872095

### Office Equipment

## NATIONAL COMPANY CLOSES HEADQUARTERS

LARGE QUANTITIES OF OFFICE FURNITURE TO CLEAR

MANAGERIAL, CLERICAL AND TYPISTS DESKS
FILING CABINETS,
STORAGE UNITS
BOARDROOM FURNITURE
SEATING AND RECEPTION UNITS
Telephone: 01-549 9339

## ADDITIONAL FINANCE WITHOUT SECURITY

Up to 100% for Stock, Sales or Purchase Finance enabling you to finance expansion programmes, exploit marketing opportunities, overcome cashflow problems or difficult periods. *Details and Brochure from:*
STOCK & DEBTORS FINANCE LTD
50 Pall Mall, London SW1Y 5JH
Tel: 01-930 0115 · Telex: 8956024

## ADVERTISING GIFTS

PRINTED WITH YOUR MESSAGE
Pens · Lighters · Key Tags
Knives · Torches · Rules etc.
100's of ADVERTISING IDEAS
PROMPT WORLD WIDE SERVICE
*Send for colour catalogues*
Tel: 01-446 8411 (24 hours 7937)
Telex: 28732 EMCPEN G
emc THE PEN PEOPLE
Dept. F/T 1064 High Road London N20 0QP

### Plant and Machinery

## POWDER COAT PAINT LINE

As new and ready for installation and suitable for application for both Aluminium and Steel
*Full details available from:*
SAPA LTD
Tel: Ripley (0773) 872761
Contact Mr Powell
Price Guide — £125,000

EEC DIRECTIVE can vitally affect Businesses. Our Brussels staff provides early warning of proposals and advice on available EEC grants. Westminster contacts available. Tel: 01-627 5722.

DIRECT MAIL LISTS & SERVICES. 100s of ready-built lists immediately available. Suppliers to leading UK companies. Free Catalogue. Marketscan, Freepost, Chichester, Sussex. Tel: 0243 786711.

100% IBA — Secure tax shelter with excellent guarantees and tax efficient yield. Ring John Piper on 0273 728311.

BUSINESSES AND ASSETS of solvent and insolvent companies for sale. Contact "Businesses and Assets (RLC)," 01-637 3036.

£2.50 P.W. for EC2 ADDRESS combined with phone messages and telex under £5 a week. Prestige offices near Stock Exchange. Message Minders International 01-628 0898. Telex: 8811725.

LIMITED COMPANIES. COMPANY FORMATION & SEARCHES! Fast Service! Credit Card! 01-247 5566.

# Businesses Wanted

## Wanted Vauxhall/Opel Main Dealership

Our client is an expanding and highly respected motor group wishing to acquire a profitable Vauxhall/Opel main dealership in England. Quality is more important than size.

Ideal opportunity for an owner wishing to retire and leave his staff in the hands of a responsible and sympathetic management team. Generous and flexible financial arrangements can be made to suit individual circumstances.

Replies will be treated in the strictest confidence. Please contact Adrian Burn at:

BinderHamlyn
CHARTERED ACCOUNTANTS
8 St Bride Street, London, EC4A 4DA.
Telephone. 01-353 3020.

## CONSUMER BUSINESS WANTED

Quoted Company with varied interests in Consumer Goods, manufacturing and marketing seeks to diversify by acquiring further businesses with sales of at least £1.5 million

*Replies to Chairman, Box H0543, Financial Times*
*10 Cannon Street, London EC4P 4BY*

## PLC SEEKS EXPANSION

in:
Housebuilding
Property Development
Mobile Homes
Refurbishment
by acquisition of companies and/or land, property purchase. Replies in strict confidence from
Principals only to:
*Box H0544, Financial Times*
*10 Cannon St, London EC4P 4BY*

## BUSINESS WANTED

A Well Established
HAND TOOLS/HARDWARE
MANUFACTURING
DISTRIBUTING COMPANY
Located in London

Wishes to purchase a compatable or diversified small or medium size business with well established customer base, capable of being fully integrated into its existing operation. The profitability of the business sought is less important than the track record and sales potential.

*Write Box H0540, Financial Times*
*10 Cannon St, London EC4P 4BY*

## SPECIALTY CHEMICALS BUSINESS WANTED

Sales £0.25m-£2m in maintenance chemicals: metal finishing, speciality lubricants: protectives: adhesives: surface coatings: toiletries and allied fields. Acquisition or equity participation. Advertiser is individual experienced in this industry—not a competitor. Confidentiality assured. Write Box H0553, Financial Times, 10 Cannon Street, London EC4P 4BY.

## SUBSTANTIAL AND RESPECTED DOUBLE GLAZING CO

(Turnover 1985 £6m+)
Seeks association with Showroom-based company in S.E. LONDON/KENT.
With a view to maximising production facilities.
*Write Box H0551, Financial Times*
*10 Cannon St, London EC4P 4BY*

## PUBLIC COMPANY

Having recently embarked on an acquisition programme is actively seeking companies with a good profit record and proven management. Replies treated in the strictest confidence. Please write:
*Box H0549, Financial Times*
*10 Cannon St, London EC4P 4BY*

## SMALL BUSINESS MIDLANDS AREA

We are seeking a small/medium manufacturing or engineering company in the Midlands area ideally would be family business without successor or businessman seeking early retirement
Strictest confidence assured
*Write Box H0547, Financial Times*
*10 Cannon St, London EC4P 4BY*

## MAJOR FIRM

Involved in insurance broking, life assurance, unit trust advisory services, pensions and benefit consultancy, seeks acquisitions. Commission/fee income between £250,000 and £5m pa considered
*Write Box G10280, Financial Times*
*10 Cannon St, London EC4P 4BY*

## PUBLISHING

Substantial company desirous of increasing its publishing interests by the purchase of either publishing companies or individual titles would like to hear from interested parties wishing to dispose of their interests.
*Please reply in confidence to the Managing Director*
*Box H0519, Financial Times*
*10 Cannon St, London EC4P 4BY*

## INDUSTRIAL CERAMICS

Established UK Company has the ambition, capability and resources to acquire and expand an industrial ceramics activity. Principals only please forward details to:
*Box H0556, Financial Times*
*10 Cannon Street, London EC4P 4BY*

# Businesses for Sale

## Palm Grove Limited (In Liquidation)

## For Sale as a Unit

The business and assets of Palm Grove Limited (In Liquidation), a manufacturer of ice cream and related products, are offered for sale as a unit on a going concern basis.

The assets for sale include substantial premises on 1.5 acres at Santry, Dublin 9, comprising cold stores and fully equipped manufacturing facilities suitable for the production of a wide range of ice cream and water ice products together with finished stocks and the company's trade and trade marks.

Haughey Boland & Co.

Interested parties should contact the Official Liquidator:
David B. Deasy, A.C.A.,
Haughey Boland & Co.,
Chartered Accountants,
63-66 Amiens Street, Dublin 1, Ireland.
Telephone 01-730611. Telex 25536

## Specialist Electrical Engineering Business

Offered for sale is a highly profitable, long-established specialist electrical-engineering business, due to the impending retirement of the shareholder directors. Operating from freehold/leasehold premises in North West England the business is the manufacture of anti-fouling and anti-corrosion equipment with world-wide markets involving power, water, petrochemical and marine industries.

The business has an annual turnover in excess of £800,000, and a workforce of 16 experienced employees.

*For further details please contact:*
O. L. Spence C.A., Grant Thornton, Kennedy Tower
St Chads Queensway, Birmingham B4 6EL
Tel: 021 236 4821 · Telex: 337955 GT BHAM G

Grant Thornton
CHARTERED ACCOUNTANTS

## LOUNGE FURNITURE MANUFACTURER FOR SALE

The business of Emerald Furniture Company
Braintree, Essex.

★ Leading independent manufacturer — Turnover £1.4m.
★ Supplier to leading retail groups and independents.
★ Long ground lease. 50,000 sq ft purpose built factory & ample office and showroom accommodation.
★ 80 employees.

For further information please contact the receiver Mr A.R. Houghton.

Touche Ross
33-34 Chancery Lane, London WC2A 1EW. Tel. 01-405 8799.

## FOR SALE

SPECIALISED ELECTRICAL WHOLESALER
Industrial products only. Midlands area.
Extensive franchises. Turnover £1.5 million.
*Write Box H0542, Financial Times, 10 Cannon Street London EC4P 4BY*

# Businesses For Sale

## Farley Health Products

An opportunity to acquire this profitable and internationally known manufacturer of baby foods and health products

**At Plymouth, Devon**
**CEREALS AND RUSKS DIVISION**
- ★ Leading brands: Farley's Rusks and Farex Baby Foods
- ★ Freehold factory of 147,500 sq. ft. on a site of 5.92 acres
- ★ Substantially automated plant equipped for bulk handling of ingredients
- ★ Turnover £10.7m p.a. (including £4.9m exports)
- ★ 305 direct and indirect personnel

**At Kendal, Cumbria**
**MILK PRODUCTS DIVISION**
- ★ Leading brands: Ostermilk, Complan, Glucodin and Casilan
- ★ Freehold factory of 185,000 sq. ft. on a site of 10.5 acres
- ★ Existing processing plant plus ready to commission computer controlled spray drier/evaporator complex
- ★ Turnover £29.7m p.a. (including £7.6m exports)
- ★ 268 direct and indirect personnel

★ Management and Administration offices presently based at Plymouth employing further 262 personnel

Offers are invited, from principals only, for the business as a whole or either division

Cork Gully

*Further particulars are available from:*
Michael Jordan or Malcolm London
Cork Gully, Shelley House,
3 Noble Street, London EC2V 7DQ
Telephone: 01-606 7700 Telex: 884730 CORKGY G

---

**FOR SALE**
**AS GOING CONCERN**
DUE TO RETIREMENT

One of London's oldest and most prestigious suppliers of fish to catering establishments in Greater London area. Centrally situated. Cold Stores. Salmon Smoking facilities. 2,500 sq ft Leasehold Premises. Principals only.

Write Box H0554, Financial Times, 10 Cannon St, London EC4P 4BY

---

**FOR SALE**
**Toolmaking/Plastic Injection Moulding Company**
Essex Coast

Available as going concern. Average pre-tax profits over last two years in the region of £100,000 per annum. Substantial asset backing, including property. Owners prepared to assist for purposes of continuity. Principals only.

Particulars of sale from: STAPLES FOORD SIMMONDS, Chartered Accountants, Carnsalle House, 19 George Road, Worthing, West Sussex BN11 3AF

---

**MOTOR VEHICLE CONTRACT HIRE COMPANY**
For Sale or Merger

Well established with an excellent portfolio of corporate customers. Annual income in excess of £1 million.

Please reply to The Chairman, Box H0545, Financial Times, 10 Cannon St, London EC4P 4BY

---

**TECHNICAL SYSTEMS AND SOFTWARE DESIGN**
S. E. ENGLAND

Well established profitable company involved in Government Defence procurement and industrial contracts seek major equity partner to develop existing market contacts. Minimum requirement £100,000. Principals only reply to:

Box H0555, Financial Times, 10 Cannon Street, London EC4P 4BY

---

## TROUT FARM
## FISH SMOKER & PATE MAKER

POTENTIAL SUPERMARKET SUPPLIER

This modern and extensively equipped business property is available for sale in rural Hampshire. Potential turnover is estimated at £3 million.

The business consists of a 70 ton fish farm, a smoking unit and a newly equipped processing facility.

For further information please contact the joint receivers, Ipe Jacob and Nigel Montgomery. Telephone: 01-236 0570 Telex: 928060 ALLCOM G

ALLCOMBES
ACCOUNTANTS AND LAWYERS
11 WELL COURT, LONDON EC4M 9DN.

---

The Joint Receivers Offer for Sale the Business of

## TIM BURNHAM ASSOCIATES LIMITED

comprising TBA TECHNOLOGY

A high-technology range of award-winning stage lighting products.

TBA LIGHTING

Successful stage lighting rental business with substantial fixed asset value including forward orders, stock, goodwill, intellectual rights and leasehold if required.

*Please contact:*
D. R. F. Sapte or A. P. Locke
Begbies
01-405 1219/1274

---

## ENGINEERING COMPANY FOR SALE

Engineering company, based in the North of England, which designs, manufactures and sells special purpose processing equipment (principally for the food industry) for sale. Turnover in excess of £2 million, profit before tax in excess of 20%. Potential purchasers are invited to register their interest with Robert Ashley-Jones of:

Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 01-928 2000.

Ernst & Whinney
Accountants, Advisers, Consultants

---

## TOBACCO PROCESSING PLANT

The business and assets of Tabac Leaf Industries Limited a tobacco processing plant designed for the manufacture of handrolling and pipe tobaccos is offered for sale as a going concern.

- ★ The company operates from 2,500 sq. ft. of leasehold factory and office space in South Wales with easy access to M4 and M50
- ★ Full range of primary and packing equipment.
- ★ Established European and north American markets
- ★ Established links with international leaf suppliers

For further information please contact the joint receivers:
Barry G. Mitchell or Peter L. Davies
PEAT MARWICK MITCHELL AND CO.,
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE
Telephone: (0222) 462463 Telex: 497987

PEAT MARWICK

---

**Orbit Oil Limited**
**Oil Reclamation/International Limited**
**(Both in Receivership)**

A unique opportunity to acquire the business and assets of a Revac Waste Oil Refining Plant together with patents and associated manufacturing rights.
- Modern single storey offices with laboratory facilities.
- Long leasehold site of approx 1.0 acres based in Corby, Northants together with 480 sq. mts. process building.
- Storage capacity of approx 250,000 gallons.
- 10-15 employees.

Cork Gully

*For further particulars apply:*
R. W. Cork, J. M. Thompson,
Joint Receiver & Manager,
or S. Rishi,
Shelley House, 3 Noble Street,
London EC2V 7DQ

---

**Recently established Company**
**Chilled Fresh Food Manufacture and Distribution**

Rural South West, seeks equity or other investment to finance expansion. Apply in writing to:

Coopers & Lybrand

Mutley House,
23 Princess Street,
Plymouth PL1 2HE
Ref MGP/XC/NG.

---

## Ariston Alloys Ltd.

The Joint Receivers and Managers offer for sale the business, assets and goodwill of this well known long established aluminium die and sand caster which operates from premises in South East London and Croydon and has approximately 110 employees.

Assets include leasehold properties, plant and machinery, office furniture and equipment, stocks and work in progress and motor vehicles.

Turnover to end February 1986 approximately £2.5 million budgeted turnover to end February 1987 approximately £3.7 million.

For further details contact: The Joint Receivers and Managers, Ian Williams and Maurice Withall, Grant Thornton, Fairfax House, Fulwood Place, London WC1V 6DW. Tel: 01-405 8422. Telex: 28984

Grant Thornton
CHARTERED ACCOUNTANTS

---

## In Liquidation

The Liquidator offers for sale the business and assets of Spenborough Engineering Co. Ltd., Hydraulic Engineers and Body Builders. The Company operates from freehold premises in Heckmondwike. Turnover in the year to 31st January 1985 was approximately £589,000.

Further details from the Liquidator: Peter Flesher, Grant Thornton, Eldon Lodge, Eldon Place, Bradford BD1 3AP. Tel: 0274 734341. Telex: 51611.

Grant Thornton
CHARTERED ACCOUNTANTS

---

**FOR SALE**

Well established Bristol based typesetting and studio company with turnover of approximately £400,000, showing good and rising return on assets.

The company uses the latest technology and has an impressive client portfolio.

Invitations are invited from principals for part or whole of the concern.

*Apply in first instance to:*
*Box No: H0558, Financial Times, 10 Cannon Street, London EC4P 4BY*

---

**COMPUTER SOFTWARE COMPANY FOR SALE**

Involved in the design, development and production of all types of non-games software for major home computer.

Turnover £1,000,000 per annum plus.

For further details please apply: Box H0557, Financial Times, 10 Cannon Street, London, EC4P 4BY.

---

**DIVERCO**
Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

---

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

**SNACK FOOD**

Manufacturing company with modern plant and production facilities requires substantial equity injection to assist with funding of final stages of development of new product.

Replies from principals only, to: RW/JC
141 King Street, Great Yarmouth NR30 2PQ

---

**FOR SALE — SEWING PLANT**

35,000 SQ FT FREEHOLD MODERN SEWING UNIT IN WALES

Currently employing 110 operators. Wide range of garments currently being produced. Our company is prepared to gradually transfer their production out and replace it with any prospective buyer's. This is an ideal opportunity if you are looking for extra production without training costs and staff problems. Reason for sale — other business interests.

*Write Box H0541, Financial Times, 10 Cannon Street, London EC4P 4BY*

---

**FOOTWEAR MARKETING COMPANY**

Own well established Brand Names, Trade Mark, Design Registrations, etc. Domestic manufacture/importing Specialists in Leisure Market

*Write Box H0562, Financial Times, 10 Cannon St, London EC4P 4BY*

---

**PAPER MERCHANTS FOR SALE**
SOUTH LONDON AREA
£3m T/O
Family retiring.

Contact Accountants at: Box H0550, Financial Times, 10 Cannon St, London EC4P 4BY

---

**STATIONERY BUSINESS FOR SALE**
WHOLESALE AND RETAIL
T/O £1m plus
Owners retiring

Write Box H0548, Financial Times, 10 Cannon St, London EC4P 4BY

---

**PUBLISHING**

Substantial company wishing to dispose of its publishing interests would like to hear from interested parties.

Please write Box H0560, Financial Times, 10 Cannon Street, London EC4P 4BY

---

HAIR SALON in Fulham Road. Most valuable position, long lease, extremely busy plus luxury flat. £150,000, neg. Write Box H.0559, Financial Times, 10, Cannon St., London EC4P 4BY.

ADVERTISING AGENCY established 28 years for sale due to bereavement. £90,000 including freehold office block/car park. Chester City centre. Telephone (0244) 21901 or 45031.

---

### Contracts and Tenders

## INVITATION FOR BIDS (IFB)

LOAN No. 1404-ET
IFB No. T-05/78

The Provisional Military Government of Socialist Ethiopia, Ethiopian Transport Construction Authority (ETCA) has received a credit from the International Development Association (IDA) for the Second Road Sector Project. Part of proceeds of this credit will be applied to eligible payments and spare parts for the supply of Road Maintenance Equipment.

The ETCA now invites sealed bids from eligible bidders for the supply of equipment and spare parts.

Interested bidders from member countries of the World Bank (International Development Association) Switzerland and Taiwan China are invited to collect bid documents from the Procurement Office Room 106 during working hours upon payment of 20.00 Birr per set.

Bids will be opened in the presence of interested bidders or their representatives in the Conference Room of the ETCA headquarters building on March 20, 1986 at 10.00 hours local time. The Authority reserves the right to reject any or all bids that are not in conformity with its requirement.

Ethiopian Transport Construction Authority

---

### International

FALKLAND ISLANDS — UPLAND GOOSE HOTEL

**A Unique Opportunity to Acquire the only Hotel on The Falkland Islands**

Comprising:
- 16 Bedrooms
- Dining Room for 50 Persons
- Bar and Lounges
- Large Owners Flat
- Planning Consent for 10 Further Bedrooms

SOLE AGENTS:
Terry Kaye
Leisure Department, Grant & Partners
5 Aldford Street, Mayfair, London W1Y 5PS
01-629 8501

GRANT & PARTNERS

---

**RESTAURANT FOR SALE in SAN FRANCISCO**

25 year lease. Low, low rent.

For further information write to: Box H0546, Financial Times, 10 Cannon St, London EC4P 4BY

---

**MARBELLA**
**TENNIS/LEISURE COMPLEX**

12,000 sq mts to be constructed. 8 tennis courts, 6 squash, 2 bowling greens, gymnasium, sauna, restaurant, bars, terraces, pools. Substantial price freehold.

ROUTLEDGE & COOPER
0279 506555

---

### Hotels & Licensed Premises

PERIOD HOTEL set in 4½ acres of grounds. 29 rooms with bath and consent for further 28. 4 miles Leeds City Centre. For Sale. EDWARD SYMMONS & PARTNERS, Tel: 01-834 8454.

---

## CLASSIFIED ADVERTISEMENT RATES

From January 1, 1986

| | Per line (min. 3 lines) £ | Single column cm (min. 3 cms) £ |
|---|---|---|
| Commercial & Industrial Property | 11.50 | 39.00 |
| Residential Property | 9.00 | 30.00 |
| Appointments | 12.00 | 41.00 |
| Business, Investment Opportunities | 11.50 | 39.00 |
| Business for Sale/Wanted | 11.50 | 39.00 |
| Personal | 9.00 | 30.00 |
| Motor Cars | 9.00 | 30.00 |
| Holidays & Travel | 9.00 | 30.00 |
| Contracts & Tenders | 11.50 | 39.00 |
| Book Publishers | — | net 22.00 |

Premium positions available £8.00 per single column cm extra

All prices exclude VAT

*For further details write to:*
Classified Advertisement Manager
Financial Times, 10 Cannon Street, London EC4P 4BY

---

# APPOINTMENTS

## Two top posts at Imperial Tobacco

Mr W. C. (Bill) Owen and Mr B. H. (Brian) Wray have been appointed assistant managing directors of IMPERIAL TOBACCO. Mr Owen, who has been research and development director since 1980, will have responsibility for co-ordinating the company's core tobacco operations with the functions of manufacturing, personnel and employee relations, research and development, technical services, leaf and purchasing and public affairs directly accountable to him. Mr Wray has been marketing and sales director since 1978. In his new role he will become managing director of Imperial Tobacco Developments, which will control the operations of the subsidiary companies and the development and acquisition of new business in related fields, both at home and overseas. Mr T. R. C. (Roger) Reynolds, operations director, will be retiring from the Imperial Tobacco board on May 31.

★

Mr J. Hastings and Mr C. Robertson have been appointed investment managers of THE SCOTTISH MUTUAL ASSURANCE SOCIETY.

★

GASKELL BROADLOOM has appointed Mr John C. Kay as company secretary and group financial controller. He was previously with the consultancy practice of Price Waterhouse.

★

LILLY INDUSTRIES has appointed Mr D. M. (Neil) Baxter, director of industry affairs, as director, European affairs, animal health products.

★

Mr David J. Burt has been appointed joint managing director of HELLERMANN DEUTSCH, a Bowthorpe Holdings subsidiary.

★

Duménil-Leblé S.A., a Paris-based financial, securities and banking organisation, has taken a controlling stake in London Law International. The following have joined the board of LONDON LAW INTERNATIONAL: Mr Alain Duménil, Mr Jacques-Antoine de Gelfriar, Mr Jacques Le Terre, Mr Christopher A. S. Fawcett and Mr W. John N. Moore.

★

Mr Chris Newby has been appointed an assistant director of BARCLAYS MERCHANT BANK.

★

Mr Harold Marshall has been appointed sales and marketing director of TDS CIRCUITS.

★

Mr J. E. N. Karkjian has resigned as a director of CHAMBERS AND FARGUS, but was appointed as an assistant director. Mr P. R. Furness has been appointed managing director from February 3 in succession to Mr D. F. Tunnicliffe who continues as deputy chairman.

★

Mr John Roome has been appointed senior partner of WITHERS, solicitors. He succeeds Mr David Dixon, who has retired as senior partner, to devote more time to his responsibilities as chairman of Elf UK. He remains a partner of the firm.

★

Mr Geoffrey Fitton has been appointed a director of POSTIPANKKI (UK).

★

Mr Solomon I. Freshwater has been appointed a director of DAEJAN HOLDINGS.

★

SIMON ENGINEERING has appointed Mr Ted Hallyard as director of overseas companies of its contracting group, succeeding Mr Tom Lamb, who retires this year. Mr Hallyard was operations director of Sim-Chem.

★

Mr Norman M. Hogben, executive director/chief surveyor with St Martins Property Corporation, has been appointed managing director of JOHN LAING DEVELOPMENTS.

★

NEWEY & EYRE has appointed Mr Bob Reid as managing director of Ross Electrical. He was formerly area director for the North and East Scotland branches. This appointment follows the decision of Mr Dan Bayle, Newey & Eyre's regional managing director for Scotland and Northern Ireland, to leave the company for personal reasons early in 1986.

★

Mr Terry Brand has been appointed to the board of COLLINS-WILDE. He is a director of Britannia and General Guarantee Corporation.

★

F. H. TOMKINS has appointed Mr Nicholas M. Bryan and Mr Malcolm T. Swain as divisional financial controllers. Mr Bryan joins from Henson Trust. Mr Swain joins from Schlumberger.

★

BLACK & DECKER has appointed Mr Roger H. Thomas as group vice president—eastern hemisphere, responsible for Europe, Asia, Australasia, and Africa. He was corporate officer of the parent company.

★

KELLY GIRL has appointed Mr John Grosu as vice president of European operations and Mr Chris Mason as director of finance. Mr Grosu was UK group director and has been in Europe for 20 months after 14 years with Kelly Services in America. Mr Mason joined Kelly Girl five years ago as a financial controller.

## Finance posts in the steel industry

Mr Brian Moffat has been appointed managing director, finance, of the BRITISH STEEL CORPORATION from April. He has been director, Port Talbot, from October 1976, and joined BSC in 1968. Mr Moffat succeeds Mr Martin E. Llowarch, who became the Corporation's deputy chief executive last month.

BSC and Guest, Keen and Nettlefolds have appointed Mr Norman Broadhurst as financial director of UNITED ENGINEERING STEELS from April 1. United Engineering Steels is the BSC/GKN joint venture announced last month. Mr Broadhurst is divisional general manager, finance and administration, of China Light and Power Company, Hong Kong. He has held appointments previously with Platt Saco Lowell (UK), Henry Simon and the UK Atomic Energy Authority.

★

Mr Stuart Corbyn has taken over as chief executive and estate manager of THE CADOGAN ESTATES following the retirement of Mr Dennis Bedingham.

★

Mr I. R. J. Sinclair has been appointed a director of LLOYD THOMPSON.

★

Mr Peter G. Yates has been appointed technical director of LITHOLITE MOULDINGS. He joined six months ago as technical manager.

★

Mr R. E. Potter, a member of the board of INBUCON MANAGEMENT CONSULTANTS, has been appointed marketing director, international and special projects. Midlands regional director Mr J. W. Boynton has been appointed to the board as marketing director, UK regions.

★

The BRITISH OVERSEAS TRADE BOARD has appointed Mr David Douglas-Home as chairman of the committee for Middle East trade. He is a director of Morgan Grenfell and succeeds Lord Selsdon who is standing down after seven years in office.

★

Mr Ernest Thorpe is to resign as chairman of F. W. THORPE in July but will continue as a non-executive director. Mr Michael Lippold will succeed him as chairman and will continue as joint managing director with Mr Colin Brangwin.

★

Mr A. T. Andrew Braddon has been appointed corporate marketing director of FAIRCLOUGH BUILDING, part of AMEC. He is responsible for developing corporate marketing strategy and co-ordinating marketing programmes for the five divisional regions. He also continues as divisional marketing director of the southern division based in Surbiton. Mr Braddon joined Fairclough Building in 1983 after five years with Higgs and Hill, where he became responsible for marketing in the south of England.

★

GEORGE WIMPEY has appointed Mr George Payne and Mr David Heppell to the executive board. Mr Payne joined in 1983 as director and general manager of George Wimpey International. Mr Heppell joined Wimpey International in 1975 and is currently deputy-chairman of Wimpey-Dubilier; chairman of Wimpey-Dubilier; and managing director of Wimpol.

★

THE FOREIGN EXCHANGE AND CURRENCY DEPOSIT BROKERS' ASSOCIATION has elected the following for the ensuing year: chairman Mr D. Tullett (Tullett and Tokyo Forex International); deputy chairman Mr P. F. A. Nash (R. P. Martin); and hon. secretary and treasurer Mr D. G. Rickson (Harlow Ueda Savage).

★

BRITISH TELECOM has appointed Mr John McMonigall as deputy managing director of British Telecom Enterprises. He has executive responsibility initially for consumer products where he will be conducting an operational review of BTE's consumer electronics factory in South Wales. He was with STC, as director of equipment supply for switching, transmission and terminal equipment.

★

Mr Bryan Rogers has been appointed director and general manager of the Clarke Plant Hire and Pilgrim Plant Hire, the plant and small tool hire subsidiaries of the CLARKE GROUP.

★

TI RUSSELL HOBBS and Tower Housewares has appointed Mr John Whitworth as financial director. He was finance director with Holt Lloyd.

★

HOLIDAY INNS, has appointed Mr Sigi Bergmann senior vice-president and managing director Europe, Middle East and Africa, based at the group's European headquarters in West London. For the past two years he has been vice-president and managing director Europe. The new appointment extends his responsibilities to Middle East and Africa.

★

AUTOMATIC SWITCHING has appointed Mr Stuart R. Cain as sales and marketing director.

★

Mr Joseph A. Marein is to become deputy managing director of CITICORP INSURANCE BROKERS with direct responsibility for the development of the company's strategic plan and its implementation. He joined Citicorp Insurance Brokers as a director in September 1985.

# FT COMMERCIAL LAW REPORTS

## Market trader can claim theft from car

**LANGFORD v LEGAL AND GENERAL ASSURANCE SOCIETY LTD**
Official Referee: Judge Lewis Hawser QC: January 16 1986

**WHETHER A car is "attended" for insurance purposes is a question of fact depending on circumstances, having regard to common sense and practicality; and insurers will not escape liability on the ground that the car from which goods were stolen was unattended by the insured, if the theft occurred while she was so short a distance away that she was able to tackle the thieves and, apart from a few seconds, had the car under constant observation.**

Judge Lewis Hawser so held when giving judgment for the plaintiffs, Mr and Mrs Langford, on a claim against Legal and General Assurance Society PLC, arising out of the theft of goods from their car.

HIS HONOUR said that Mr and Mrs Langford were market traders. They had two stalls, in Church Street off the Edgware Road and in the North End Road. They lived in a semi-detached house in a London suburb, with a driveway at the side.

On the day in question Mrs Langford, who was in charge of the Church Street stall, packed up her display cases into two large suitcases and placed them behind the passenger seat of her Volvo estate car.

She drove home and down the driveway, parking the car alongside the kitchen window. She got out, locked the doors and proceeded to the porch. What she wished to do was to unlock the doors of the porch and house, put down her shopping bag, and immediately come back to the car, unlock it and take out the suitcase.

In fact she went into the house and as she put down her bag she could see the car through the kitchen window. At that moment she saw a shadow pass.

She said she "flew straight out." As she came out she saw a man with her case. He passed and she thought it better to go to the car where she saw another man, to try to prevent the theft of the second case.

She went to the car, which was about 17 feet away and put her hand on the door saying: "You're not going to get this one." The man pushed her and she fell. While she was on the ground he got the suitcase out. She struggled with him down the drive but again he pushed her to the ground.

She could see a brown Cortina revving very fast and stood in front of it, but the driver drove straight at her and she had to jump out of the way. Subsequently she went to hospital for her injuries.

The insurance policy issued to the Langfords was called a "market traders' stock policy." There was a provision which, the insurers said, excluded their liability.

The warranty provided that it was a condition precedent to liability that loss should be covered "only if the vehicle is attended by the insured or an employee of the insured and such loss is occasioned by theft."

The question was whether the car was "attended" by Mrs Langford.

There was some guidance from the Court of Appeal in *Starfire Diamond Rings [1962] 2 Lloyd's Rep 217.*

There the words used by the insurance company were "left unattended." The case was, on its facts, very different from the present. The plaintiff had walked about 37 yards or more from his car and went into a bush to relieve himself. From there he could see only the top of the car and did not observe the theft of his suitcase.

Lord Denning MR said that the words "left unattended" were not capable of precise definition, but should be taken in their ordinary sense and applied to the facts, and that in the particular case their meaning was best found by considering the converse.

He said: "If a car is 'attended' . . . it means that there must be someone able to keep it under observation, that is in a position to observe any attempt to intefere with it, and so placed as to have a reasonable prospect of preventing any unauthorised interference with it."

He found that the distance of 37 yards and the obscurity of view were such that the car was left unattended.

In the present case the interval between Mrs Langford's going into the house and her "flying out of the house" was not more than about five seconds. There was no appreciable or significant time between her going into the house and coming out again in pursuit of the thieves.

The fact that the car was not actually in her view for about five seconds could not be regarded as lack of attendance. One must take a practical commonsense view, and as was indicated in Starfire, the question was always one of fact to be determined having regard to circumstances.

The insurers had failed to establish that the car was not "attended by the insured or by an employee." It was attended in any sensible and practical meaning of the words.

Judgment was given for Mr and Mrs Langford, who proved a loss of £10,000.

*For Mr and Mrs Langford: N. Primost (Samuel McCleery.)*

*For the insurers: A Hogarth (Lawrence Graham)*

**By Rachel Davies**
*Barrister*

## Decision will check growth of EEC franchising

THERE IS no point in repairing three holes in a saucepan while leaving the fourth wide open; the soup runs out and so will the franchising agreement as a result of the unfortunate judgment *(Case 161/84 Pronuptia de Paris)* handed down by the European Court last week.

The immediate consequence of the judgment will be that the German Federal Supreme Court will be invited to say that Mrs Irmgard Schillgalis of Hamburg need not pay arrears of DM 158,502, representing royalties on turnover in 1978-80 at a shop where she sold bridalwear under a franchising agreement with Pronuptia de Paris, Frankfurt a subsidiary of the French enterprise of the same name.

Mrs Schillgalis had been ordered to pay the money by a Hamburg court but appealed on the ground that the franchising agreement infringed EEC competition rules and was therefore null and void under Article 85/2 of the EEC Treaty.

The Federal Supreme Court referred the matter to the European Court in Luxembourg and received a pretty depressing answer. It will not only absolve Mrs Schillgalis from paying her debt—unless the Hamburg courts say that this would be a dishonest enrichment *gegen Treu und Glaube*—but will give some hundreds of franchisees, already queueing in court, the chance to avoid their obligations.

Worse still, the Luxembourg decision will undermine the development of franchising throughout the EEC. Franchising has mushroomed into a major force in the US retail and service trades since the early 1970s. In the EEC, only French and German figures are available: some 500 franchising organisations with 25,000 shops in France reaching some 8 per cent of the total retail turnover, and over 200 franchising organisations in Germany.

Arguing that the pro-competitive aspects of franchising enable a relatively inexperienced businessman to make an easy start with the backing of an experienced organisation, Mr Advocate General Verloren van Themaat advised the court to say that franchising agreements did not infringe EEC competition rules unless the franchisor had a dominant position in a substantial part of the Common Market, created a monopolistic enclave, or prevented movement of parallel imports, thus creating an absolute protection of a national market.

The court refused to make a general rule applicable to all types of franchising agreements, but rejected the opinion of the Advocate General in respect of the one which gave rise to the dispute.

The clauses necessary to prevent competitors to benefit from the know-how communicated by the franchisor to the franchisee were found by the court to be compatible with Article 85/1.

*The numerous clauses* which appeared necessary to preserve the identity and reputation of the network were found not to restrict competition, and this included the licensing of the trade mark or other network symbols.

However, the court got stuck when it came to the clauses restricting the franchisee to a particular territory—Mrs Schillgalis had the franchise for the three districts of Hamburg, Hanover and Oldenburg. It reasoned that this pre-supposed similar clauses in agreements with other franchisees, which together amounted to market sharing incompatible with Article 85/1.

By endorsing the bigoted attitude of the EEC Commission, the European Court chose to ignore the fact that by a relatively small restriction of competition within a particular brand franchising stimulates competition within a particular brands of the same product. Though the Pronuptia agreement may stop the appearance of another Pronuptia shop in the high street, it will not stop other stores there from selling bridal wear. In fact it will force them to keep up their standards.

**A. H. Hermann**
*Legal Correspondent*



## F.T. CROSSWORD PUZZLE No. 5,939

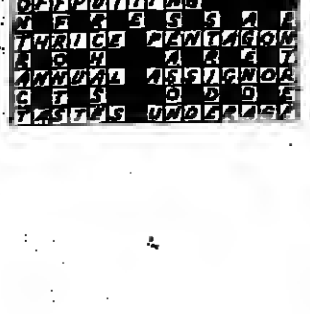
**ACROSS**

1 and 6 You've got it! (9, 5)
9 Man in charge has it to piece together (5)
10 Possible overheads in the circus (4, 5)
11 Stamp letter, somehow mixing last of post—post could hold it up (10)
12 Twelve pies for this lady? (4)
14 Silly mistake? Produce a flower! (7)
15 Name, of course! (Dawns on, perhaps) (7)
17 [illegible]ds firm as Sir sets out (7)
19 [illegible]gressed doubt, so asked (7)
20 Slap on the wrist? (4)
22 Almost misty shapes turning out to be packets? (10)
25 Needle will often become boring (3, 2, 1, 3)
26 State some said a house would be in (5)
27 Look round Director-General's plant (5)
28 Showers causing reduction in movement? (9)

**DOWN**

1 Sacks — containers of coal? (5)
2 Wicked — as our fine shows, in a way (9)
3 Some heat? Next to nothing in the home. It's the lowest possible (10)
4 You get a breather here (7)
5 French beans, perhaps. Stick in sheltered parts (7)
6 For example, place to West and North (4)
7 A fool wears extra clothes, so we're told (5)
8 I use stand that's broken—kept it up! (4)
13 Space to bury piece of wood, mainly with top of earth (10)
14 In which some singers are limited? (9)
16 To make a start, one has drink in to make a speech (9)
18 Stitched up in the theatre? (7)
19 Fashion expert with sign of hesitation for the amount (7)
21 Part of life tidying up offends common sense (5)
23 They don't like you to be down-at-heel (5)
24 Dean from the preaching establishment (4)

**Solution to Puzzle No. 5,938**





## Company Notices

**COMPAGNIE FINANCIERE ET INDUSTRIELLE DES AUTOROUTES—COFIROUTE**
**9% 1974/1989 Loan of UA 17,000,000**

[illegible]

Luxembourg, February 4, 1986. FINIMTRUST S.A.

**NIKKO SECURITIES CO., LTD.**
**EUROPEAN DEPOSITARY RECEIPTS**
**MORGAN GUARANTY TRUST COMPANY OF NEW YORK**

[illegible]

## CLASSIFIED ADVERTISEMENT RATES

| | Per line (min. 3 lines) £ | Single column cm (min. 3 cms) £ |
|---|---|---|
| Commercial & Industrial Property | 11.50 | 39.00 |
| Residential Property | 9.00 | 30.00 |
| Appointments | 12.00 | 41.00 |
| Business, Investment Opportunities | 11.50 | 39.00 |
| Business for Sale/Wanted | 11.50 | 39.00 |
| Personal | 9.00 | 30.00 |
| Motor Cars | 9.00 | 30.00 |
| Holiday & Travel | 9.00 | 30.00 |
| Contracts & Tenders | 11.50 | 39.00 |
| Book Publishers | — | net 22.00 |

Premium positions available £9.00 per single column cm extra
All prices exclude VAT

For further details write to:
Classified Advertisement Manager
Financial Times
10, Cannon St, EC4P 4BY

## Art Galleries

AGNEW GALLERY, 43, Old Bond St, W1. 01-629 6176. 113th ANNUAL WATER-COLOUR EXHIBITION. Until 21 Feb. Mon.-Fri. 9.30-5.30. Thurs. until 6.30.

W. H. PATTERSON, 19, Albemarle Street, London W1X 3HA. Tel: 01-629 4119. WINTER EXHIBITION [illegible] Mon.-Fri. 9.30-6 pm.



# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

**Oppenheimer Fund Mngt Ltd**
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

| | | | | |
|---|---|---|---|---|
| International Growth | 121.7 | 130.2 | +1.7 | 1.00 |
| Income & Growth | 87.4 | 90.4 | | 2.90 |
| Special Situations | 68.4 | 73.4 | +0.5 | 2.10 |
| American Growth | 31.1 | 33.1 | +0.3 | 3.70 |
| Japan Growth | 39.1 | 41.6 | +1.5 | 0.00 |
| European Growth | 51.4 | 55.2 | +0.4 | 2.90 |
| UK Growth | 45.2 | 48.4 | +0.1 | 1.90 |
| Pacific Growth | 33.4 | 35.4 | +1.2 | 0.70 |
| High Income | 29.3 | 31.4 | +0.1 | 8.10 |
| Practical Income Units | 45.1 | 48.0 | +0.2 | 2.70 |
| Practical Accum. Units | 81.1 | 86.3 | +0.4 | 2.70 |

**Pearl Trust Managers Ltd (a)(g)**
252 High Holborn, WC1V 7EB 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 75.3 | 80.1 | +0.4 | 2.63 |
| Accum Units | 111.3 | 118.4 | +0.6 | 2.63 |
| Pearl Inc. | 100.9 | 107.5 | -0.3 | 4.04 |
| Pearl Unit Tst. | 106.8 | 113.6 | -0.1 | 3.67 |
| (Accum. Units) | 182.8 | 194.5 | -0.2 | 3.67 |
| Pearl Intl Equity | 107.4 | 114.3 | +1.9 | 1.75 |
| (Accum Units) | 107.4 | 114.3 | +1.9 | 1.75 |

**Perpetual Unit Trust Mngmt. (a)**
48 Hart Street, Henley on Thames 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 224.7 | 241.1 | — | 1.35 |
| Income | 159.9 | 171.2 | — | 3.29 |
| Worldwide Recovery | 127.6 | 137.0 | — | 2.03 |
| American Growth | 63.9 | 68.1 | — | 1.04 |
| Intl. Emerging Cos. | 68.2 | 73.2 | — | 0.70 |
| Far East Growth Fd. | 54.9 | 58.9 | — | 1.13 |
| European Growth Fd | — | 50.0 | — | — |

**Prolific Unit Trusts**
222 Bishopsgate, London EC2 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific American Inc. | 52.0 | 55.4 | +0.8 | 3.40 |
| Prolific Far East | 123.2 | 132.5 | +2.9 | 0.30 |
| Prolific Extra Inc. | 70.4 | 74.7 | -0.1 | 5.25 |
| Prolific C'vert & Gilt | 83.6 | 88.7 | -0.2 | 7.10 |
| Prolific High Inc. | 149.7 | 158.9 | -0.5 | 4.55 |
| Prolific Intl | 95.0 | 100.8 | +0.9 | 1.70 |
| Prolific N. Amer. | 126.7 | 134.2 | +1.3 | 2.37 |
| Prolific Spec. Sits | 165.4 | 175.9 | -0.3 | 0.99 |
| Prolific Technology | 107.9 | 116.0 | +1.4 | 0.52 |

**Stewart Ivory Unit Trust Mgrs Ltd (a)**
45 Charlotte Sq, Edinburgh 031-226 3271

| | | | | |
|---|---|---|---|---|
| American Fund | 205.7 | 219.1 | +6.1 | 2.19 |
| (Accum. Units) | 231.0 | 246.0 | +6.8 | 2.19 |
| (Withdrawal Units) | 148.9 | 158.6 | +4.3 | 2.19 |
| Australian Fund | 119.6 | 127.4 | -1.3 | 0.90 |
| (Accum. Units) | 120.4 | 128.8 | -1.3 | 0.90 |
| British Fund | 498.6 | 531.2 | +1.6 | 4.99 |
| (Accum. Units) | 663.9 | 707.0 | +1.8 | 4.99 |
| European Fund | 231.5 | 246.5 | +4.2 | 1.00 |
| (Accum. Units) | 243.8 | 259.6 | +4.4 | 1.00 |
| Japan Fund | 241.6 | 257.3 | +8.6 | 0.38 |
| (Accum Units) | 242.3 | 258.1 | +8.6 | 0.38 |
| Saints PPP | 143.6 | 151.2 | ... | — |

**Sun Alliance Fund Management Ltd**
Sun Alliance House, Horsham 0403 56293

| | | | | |
|---|---|---|---|---|
| Equity Tst. | 338.7 | 360.3 | -2.7 | 2.69 |
| North America | 53.9 | 57.3 | +1.3 | 1.81 |
| Far East | 57.9 | 61.6 | +1.3 | 0.86 |

**Sun Life Trust Mngmt. Ltd**
107 Cheapside, London EC2V 6DU 01-606 6010

| | | | | |
|---|---|---|---|---|
| American Growth Acc. | 26.8 | 28.5 | +0.5 | 1.8 |
| American Income Acc. | 27.2 | 28.9 | +0.4 | 4.3 |
| American Income Inc. | 26.9 | 28.6 | +0.4 | 4.4 |
| European Growth Acc. | 41.8 | 44.5 | +0.5 | 2.0 |
| Far East Growth Acc. | 30.9 | 32.9 | +0.8 | 0.6 |
| Int. Growth Acc. | 28.7 | 30.5 | +0.5 | 0.8 |
| Japan Growth Acc. | 38.0 | 40.4 | +1.0 | 0.3 |
| UK Growth Acc. | 30.6 | 32.6 | ... | 2.3 |
| UK Income Acc. | 27.6 | 29.4 | -0.1 | 4.5 |
| UK Income Inc. | 27.0 | 28.7 | -0.1 | 4.4 |
| Managed Growth Acc. | 32.3 | 34.4 | +0.2 | 2.2 |
| Managed High Yield Inc. | 33.0 | 35.1 | -0.5 | 6.6 |
| Managed Income Inc. | 28.7 | 30.5 | — | 4.1 |

**Swiss Life Pen. Tst. Man. Co Ltd (a)(c)**
99-101 London Rd, Sevenoaks 0732 450161

| | | | | |
|---|---|---|---|---|
| Equity Dist.* | 278.9 | 292.7 | -0.7 | 3.09 |
| Equity Acc.* | 287.3 | 304.0 | -1.0 | 3.09 |
| Fixed Int. Dist.† | 113.4 | 117.9 | -1.7 | 11.51 |
| Fixed Int. Acc.† | 166.4 | 172.4 | -2.6 | 11.51 |

*Prices on Feb 3. Next dealing Feb 12
†Prices on Feb 3. Next dealing Feb 5

**TSB Unit Trusts (b) (c) (y)**
PO Box 3, Keens House, Andover, Hants SP10 1PG

[illegible]

# INSURANCES

[illegible]

هكذا اصل الأصل

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**World Fund S.A.**
7 Boulevard Royal, Luxembourg
World Fund NAV ... $10.59

**World Wide Growth Management●**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.97 +0.04
Inv Adv M & G Inv Mngt Ltd, London

**Yamaichi Dynamic Magt Co SA**
10A Boulevard Royal, Luxembourg
Advanced Tech ... $13.08 +0.29
Dynamic Gwth Fd ... $12.00 +0.19

**Zero Bond Fund Limited**
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $10.62 11.25

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** — 77 London Wall, London EC2N 1DB 01-588 1815 | | | | |
| Deposit | 11.70 | | | 3-Mth |
| **The Money Market Trust** — 63 Qn Victoria St, EC4N 4ST 01 236 0952 | | | | |
| Call Fnd | 11.76 | 8.79 | 12.00 | 6-mth |
| 7-day Fnd | 12.08 | 9.03 | 15.29 | 6-mth |
| **Oppenheimer Money Management Ltd** — 66 Cannon St, EC4N 6AE 01 236 1425 | | | | |
| Call Fnd | 11.72 | 8.79 | 12.77 | 6-Mth |
| 7-day Fund | 11.76 | 8.79 | 12.83 | 6-Mth |
| Dollar | 6.80 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Chq Acc | 11.50 | 8.50 | 17.53 | Qtr |
| **Aitken Hume** — 30 City Road, EC1Y 2AY 01-638 6070 | | | | |
| Treasury Acc | 11.75 | 8.78 | 12.97 | Qtr |
| Mth. Int Chq | 11.75 | 8.78 | 13.06 | Mth |
| **Allied Arab Bank Ltd** — 97-101 Cannon St, London, EC4N 5AD 01-283 9111 | | | | |
| HIDCA | 13.00 | 9.73 | 14.53 | Mth |
| **Bank of Scotland** — 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc. | 12.15 | 9.08 | 13.53 | Mth |
| **Barclays Prime Account** — PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 12.25 | 9.125 | 13.49 | Qtr |

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

## OPTIONS

### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 13 |
| BAT | 26 | Metal Closures | 14 |
| BOC Grp. | 27 | Midland Bk. | 35 |
| BSR | 8 | NEI | 18 |
| BTR | 33 | Nat West Bk. | 35 |
| Babcock | 23 | P & O Dfd | 35 |
| Barclays | 33 | Plessey | 14 |
| Beecham | 30 | Polly Peck | 21 |
| Blue Circle | 50 | Racal Elect. | 15 |
| Boots | 18 | RHM | 12 |
| Bowaters | 30 | Rank Org Ord | 35 |
| Brit Aerospace | 32 | Reed Intnl | 40 |
| Brit. Telecom | 17 | Sears | 11 |
| Brown (J.) | 3½ | TI | 35 |
| Burton Ord | 45 | Tesco | 24 |
| Cadburys | 23 | Thorn EMI | 34 |
| Charter Cons. | 18 | Trust Houses | 12 |
| Comm Union | 23 | Turner Newall | 9½ |
| Courtaulds | 15 | Unilever | 90 |
| Distillers | 36 | Vickers | 35 |
| FNFC | 12 | **Property** | |
| Gen Accident | 55 | Brit Land | 14 |
| Gen Electric | 24 | Land Secs. | 26 |
| Glaxo | 100 | MEPC | 26 |
| Grand Met. | 30 | Peachey | 24 |
| GUS 'A' | 70 | Samuel Props | 23 |
| Guardian | 60 | **Oils** | |
| GKN | 20 | Brit Oil & Min. | 3½ |
| Hanson Tst. | 18 | Brit Petroleum | 45 |
| Hawker Sidd | 36 | Burmah Oil | 27 |
| ICI | 42 | Charterhall | 4 |
| "Imps" | 16 | Premier | 5 |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 27 | Tricentrol | 18 |
| Legal & Gen | 68 | Ultramar | 18 |
| Lex Service | 24 | **Mines** | |
| Lloyds Bank | 35 | Cons Gold | 40 |
| Lucas Inds | 38 | Lonrho | 12 |
| | | Rio T Zinc | 50 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Glut hits vegetable oil prices

BY JOHN BUCKLEY

AN UNPRECEDENTED glut of palm oil is plunging world vegetable oil markets into their worst depression in recent memory, according to European dealers. In less than a month the value of palm oil on world markets has dropped 25 per cent—over $100 per tonne—as Malaysia, the world's largest producer, has sought to win enough export sales to prevent its record winter output piling up stocks. Pressure is unlikely to ease in the near term, especially as Malaysia's rival, Indonesia is expected back in the export market soon.

Palm oil's performance has undoubtedly taken many traders unawares, since prices normally firm up in the winter months as trees rest and output dips to around 250-300,000 tonnes a month. But this season has been full of surprises, not least the dislocation of the peak output period from third to fourth quarter of the year which traders ascribe both to weevil stress and earlier irregularities in the rainfall pattern. Combined with increases both in mature plantation and productivity, this pushed output 45 per cent higher than usual in December 1985.

This could not have come at a worse time for Malaysia, already facing tight tank storage space as the slow pace of autumn export sales finally caught up with the market, enabling stocks to leap to nearly 1m tonnes this month. To make matters worse, latest forecasts indicate January production will turn in another bumper 370,000-380,000 tonnes against just 265,000 in 1985. Even a recent 120,000 tonne sale to Pakistan has thus barely—and probably only temporarily—stabilised prices, as it was for forward shipments backed by a now-exhausted Islamic Development Bank loan.

Also, Malaysia's largest customer, India, has remained virtually out of the market. The withdrawal of these 60,000 tonnes-a-month orders has been shrugged off by some as a bargaining ploy and there were rumours that up to four parcels of palm oleins were sought by the State Trading Corporation today. However, others believe Indis's withdrawal to be a true reflection of its long forewarned drive to cut back imports and boost self-sufficieny.

Meanwhile, Indonesia's palm oil production is growing at a startling rate as new plantations are hacked out of the jungle to feed an infrastructure geared to high volume and low unit value for rapid turnover and cash flow. Ironically these principles were pioneered by the Malaysians themselves but a willingness to barter with those cash-strapped customers squeezed by the global credit famine is where Indonesia has broken with tradition. Around her deals has sprung up a complex web of contra trade involving palm parcels changing hands amongst middlemen as diverse as Scandinavia and the Eastern bloc.

Some brokers expect palm oil to fall as low as $250 a tonne — well below the cost of production — but even current $280/290 levels have put refiners in a cost squeeze as plantations refuse to cut their crude oil prices. Paradoxically, this has resulted in premiums on palm oil for forward shipment in the peak production period of October/December.

Palm's fall is also posing awkward questions for European crushers who have relied on dear oil products for the past two seasons to finance margins. Unlike their US counterparts who run on an 80 per cent soya meal yield, they have been hit hard by the need to slash oil prices to compete with palm, requiring ever larger handouts from Brussels to stay in operation. However, some traders believe it to be just a question of time before the US is forced to cut soya oil prices too, or risk losing its non-concessional export sales altogether. Even the much-publicised Brazilian drought — which may cut 6m to 7m tonnes off soya output — has failed to dent a clearly bearish US scenario.

Further pressure has come from palm's partial rival coconut oil, at ten year lows after shrugging off a four-year supply shortage with a resurgence of Philippine production. The next largest source, Indonesia, also needs to either export more or use additional quantities of coconut and palm kernel oils domestically, thus freeing even more palm oil for export.

Currently, the only hope of reversal in the price trend springs from cheap prices unleasing historical consumption growth trends, which have ranged up to 8 per cent in recent years. But it will take an explosion in demand to move the stocks overhanging some vegetable oil trading centres. Even Europe's big tank storage facilities in Rotterdam have begun to fill sufficiently to deter shippers from making fresh forward commitments. The Malaysians themselves can either cut prices, reduce fertiliser or charter floating storage in the form of tankers. Less likely is that they will carry out their threat to use more palm in a diesel programme now that crude oil prices are falling again.

## US soyabean growers see gloom lifting

BY NANCY DUNNE IN WASHINGTON

## Higher world tea production estimated

... where output declined, the review says.

At yesterday's weekly London auction quality tea averaged 190p a kilo, up 5p from last week. Medium and low medium grades were unchanged at 145p and 112p respectively.

The Tea Brokers' Association said there was "good general demand" for the 36,637 packages on offer, which included 4,000 in the offshore section.

## Kuala Lumpur tin market re-opens

BY WONG SULONG IN KUALA LUMPUR

... market like the LME.

Nevertheless, with the continued suspension of the LME tin market, the KLTM price is likely to set a reference price for tin sales elsewhere. Thai authorities, which started posting their prices in December are reported to be considering dropping their price quotations and using the KLTM as a reference.

KLTM officials said trading ... held by Malaysian miners and their tight cash flow position.

"Its a buyers' market and every miner knows that," said one trader.

... due to their non-participation.

Tomorrow, the International Tin Council resumes its efforts to negotiate a settlement of the crisis with its creditors.

## The Milk Board's balancing act

FARMER'S VIEWPOINT

By John Cherrington

I MUST be one of the few survivors of those who were actually producing milk before the Milk Marketing Board came into operation in mid-October 1933. From January 1 of that year I had been managing a dairy farm in the Midlands, and the price we received was six old pence per gallon in the summer and eight pence in the winter. On October 1 I started farming on my own account and until the middle of the month the milk I sold returned a shilling a gallon; then the Board took over and the price fell to 10½ pence.

The reason for this price reduction was that my own farm supplied the London market, where prices were traditionally higher. The Board's first aim was to pool all milk prices so that farmers all over England and Wales received roughly the same price, subject to varying transport costs. Some farmers in the Home Counties objected to the Board on these grounds, but in fact their favourable situation was being steadily eroded by the transport of supplies from the West and Cumbria, where farmers had been receiving even lower prices than in the Midlands.

The Board also put an end to the annual contracting between farmers and buyers, with the latter holding most of the aces. A few strong buyers could always divide a weak majority, which could always be undercut by neighbours or other farmers in even weaker situations.

The Board had a monopoly for wholesaling all milk but I for one never thought that this went far enough. I could see no reason why the Board, as the farmers agent, should not control both the retailing of the liquid milk and the manufacture of the surplus as well. The Board did in fact begin to do this, rather by stealth. As its customers got into difficulties, as small businesses do, some of them were taken over by the Board which ended up both retailing and manufacturing in a small way. I believed this would have gone a long way further had it not been discouraged officially.

An important point to remember is that until EEC entry milk pricing was determined by the liquid market, with the manufacturing element taking what was surplus to that market. Most imported dairy products—New Zealand butter and cheese and so forth — came in at much lower prices than those at which they could be produced in Britain. The big change which came with EEC membership was that the guaranteed price for milk was for all milk, whether for liquid sale or manufacturing.

In this situation the UK was the odd man out. In England and Wales in 1970 liquid sales were 66 per cent of the total milk handled. By 1984 the liquid share had fallen to 44 per cent of a much larger quantity — up by some 30 per cent. By comparison the proportion of liquid sales in the rest of the Community averaged 11.5 per cent.

During this period liquid sales were falling and by the time quotas were imposed in April, 1984, they had dropped by 14 per cent from the 1975-76 peak.

This trend which is still continuing, was becoming apparent in the late 1970s and when in 1979 the Board saw the opportunity to acquire the Unigate factories it semed a sensible move to most farmers.

The attitude of the dairy trade at that time was interesting. One of its spokesman suggested that the Board had acquired "Sixteen clapped out factories." In this I detected a measure of sour grapes, particularly when I was told that the acquisition would cost the farmers dear.

In any case I doubt if the Board had any alternative as there was a danger that some or all of these factories might have closed. The Board would then have been landed with the problem of disposing of their displaced throughputs. That the Board has since had to close some factories makes no difference to this argument.

The main criticism of Dairy Crest, the Board's commercial subsidiary, in the report published by accountants Touche Ross last week was that its profits were too low to have been acceptable to a commercial company. But I am sure that there are many subsidiary companies which have to be supported in their principals for the benefit of the whole group. After all the Board is the buyer of last resort and needs, I would have thought, the processing capacity with which to look after its members. And what is wrong with the averaging principle?

Where the Board could be criticised perhaps is in not exploiting its opportunities enough. For instance the proportion of the retail price of milk retained by the Board for the benefit of producers fell from 61 per cent in 1970 to 48.4 per cent in 1984-85. I have never seen a satisfactory explanation as to why the farmer, who has gone through the whole production process, should get less per litre than the share allocated to processes and handlers.

There is another factor which touches on the reports' criticism. According to figures in the Board's publication "EEC Dairy Facts and Figues" producer returns are lower than in several of the member states, particularly Denmark, the Netherlands and West Germany in Ecu terms.

There are, I believe, two reasons for this. One is that for generations milk production in those countries has been directed towards manufacturers and not the liquid market. Their dairy industries have established appreciative markets at home and abroad which take their produce from force of habit, and of course salesmanship.

The second factor might be even more significant. It does seem that these countries are more skilful at milking the Community's funds. According to the latest EEC returns the expenditure on milk support was as follows: Denmark, 447 Ecus per cow; Holland, 487; West Germany, 283; and the UK, 213.

Perhaps these figures contain the real criticism of the Board's abilities.

## LONDON MARKETS

## INDICES

## MAIN PRICE CHANGES

## ALUMINIUM

## COPPER

## LEAD

## NICKEL

## ZINC

## GOLD

## SILVER

## MEAT

## COCOA

## COFFEE

## FREIGHT FUTURES

## SUGAR

## COTTON

## POTATOES

## RUBBER

## GRAINS

## OIL

## SOYABEAN MEAL

## US MARKETS

## NEW YORK

## CHICAGO

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling falls as Opec meets

Attention centred on the oil market in Europe yesterday, with North Sea crude falling more than $1 to less than $17 a barrel, as a committee of ministers from the Organisation of Petroleum Exporting Countries met in Vienna. Signs of disarray among the Opec cartel led to extremely nervous trading in currencies influenced by oil prices, notably sterling and the Canadian dollar. The pound fell to a record closing low against the D-mark, and lost over 2½ cents in terms of the dollar, while the Canadian dollar suffered from speculation about oil prices and the recent slowdown in US economic growth—the US is Canada's biggest trading partner—declining to a record low against its US counterpart. The US dollar rose to C$1.43255 from C$1.42425.

Sterling's exchange rate index fell 1.1 to 73.5, the lowest level since March last year, but finished above the opening level of 73.3.

The pound lost 2.65 cents in $1.3860-1.3870, and also fell to DM 3.3275 from DM 3.3750; FFr 10.1950 from FFr 10.3325; SFr 2.8225 from SFr 2.8650; and Y265.50 from Y272.50.

The dollar recovered on profit taking, following encouraging economic data on US construction spending and factory orders. The US currency moved up fairly steadily during European trading, after falling to its lowest level since November 15 1978 in Tokyo. After dropping below Y190 in the Far East the dollar closed at Y191.50 in London, compared with Y192.75 on Friday, and rose to DM 2.40 from DM 2.3890; FFr 7.3525 from FFr 7.3125; and SFr 2.0350 from SFr 2.0270. On Bank of England figures the dollar's index rose to 123.7 from 123.4.

D-MARK — Trading range against the dollar in 1985-86 is 2.4519 to 2.3790. January average 2.4392. Exchange rate index 132.4 against 125.7 six months ago.

The D-mark finished a little weaker against the dollar, after the US currency recovered steadily from lows touched in the Far East. The dollar was particularly weak against the yen in Tokyo, and after opening very soft in Europe improved in steady trading. The dollar's low of DM 2.3725 was touched in very early trading, but then it tended to recover on covering of short positions, although the general outlook for the US currency remained bearish. There was no intervention by the Bundesbank when the dollar was fixed at DM 2.3905, compared with DM 2.3892 on Friday. Later in the day the dollar gained support from encouraging figures on US construction spending and factory orders, after last week's disappointing trade figures. At the Frankfurt close the dollar rose to DM 2.3960.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 191.50. January average 199.95. Exchange rate index 184.7, against 157.5 six months ago.

The yen continued its advance against the dollar in Tokyo yesterday. After the foreign exchange market closed Mr Satoshi Sumita, governor of the Bank of Japan, told a press conference there must not be a free fall by the dollar, but it was not yet necessary for the central bank to support the US currency. Earlier in Tokyo there was suspicions the Bank of Japan had entered the market to buy dollars. Speculative selling at one time pushed the dollar down to Y189.85, the lowest level since November 15 1978. It closed in Tokyo at Y190.85, compared with Y192.65 on Friday.

### £ IN NEW YORK

(Latest)

| | Feb. 3 | Prev. close |
|---|---|---|
| £ Spot | $1.3880-1.3870 | $1.4110-1.4120 |
| 1 month | 0.55-0.50pm | 0.52-0.50pm |
| 3 months | 1.64-1.59pm | 1.61-1.59pm |
| 12 months | 5.40-5.30pm | 5.35-5.25pm |

Forward premiums and discounts apply to the U.S. dollar

### POUND SPOT—FORWARD AGAINST POUND

| Feb 3 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.3805-1.4015 | 1.3860-1.3870 | 0.54-0.51c pm | 4.54 | 1.69-1.64 pm | 4.80 |
| Canada | 1.9820-1.9912 | 1.9834-1.9864 | 0.33-0.24c pm | 1.72 | 0.93-0.78 pm | 1.72 |
| Nethlnd. | 3.73½-3.76½ | 3.75½-3.76½ | 2⅛-1⅞c pm | 5.38 | 6⅛-6⅞ pm | 5.81 |
| Belgium | 67.65-68.10 | 67.90-68.00 | 10-2c pm | 1.06 | 28-11 pm | 1.15 |
| Denmark | 12.19½-12.26 | 12.24-12.25 | 5⅞-3⅞ore pm | 4.72 | 15-13¾ pm | 4.61 |
| Ireland | 1.0915-1.1013 | 1.0969-1.0980 | — | — | — | — |
| W. Ger. | 3.30¾-3.33¾ | 3.32¾-3.33¾ | 2⅛-2pf pm | 7.66 | 6⅞-6½ pm | 8.04 |
| Portugal | 215.25-217.75 | 215.25-216.75 | 280-620c dis | −24.44 | 585-1565dis | −19.72 |
| Spain | 206.57-209.27 | 208.64-208.94 | 20c pm-25 dis | −0.14 | 5-120 dis | −1.20 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Feb 3 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

### EXCHANGE CROSS RATES

| Jan 31 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| Feb. 3 | Short term | 7 Days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long-term Eurodollars: two years 8½-8¾ per cent; three years 8¾-9⅛ per cent; four years 9⅛-9⅜ per cent; five years 9⅜-9⅝ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

## FINANCIAL FUTURES

# Sharp fall

Sterling based futures fell sharply in the London International Financial Futures Exchange yesterday amid fears of higher clearing bank base rates and sterling's decline on lower oil prices. Three-month sterling for March delivery opened at 87.00 in active trading, down from Friday's close of 87.21. It touched a low of 86.77 at which point short covering prompted a partial recovery. However with cash rates showing signs of moving higher, values slipped away to finish at the day's low of 86.77.

Despite the prospects of an oil price war and speculative pressure on base rates, the Bank of England appeared determined to maintain its current rate structure but this put further downward pressure on sterling and with today's UK banking statistics expected to be less than encouraging, the market remained in a sombre mood.

Gilt prices reacted in much the same way and the long gilt for March delivery opened at 108-04 and touched a low initally of 108-00. Once again a few buyers attracted and the price rallied to 108-07 before drifting away in the afternoon to close at 107-17.

Euro-dollar prices were confined to a fairly narrow range. There appeared to be little desire to push values outside recent trading levels with market factors currently presenting a conflicting picture. The March price opened at 92.11 up from 92.08 and traded in a five point range before closing at 92.10.

US Treasury bond prices attracted a little more optimism however with US Treasury auctions expected to show a reasonable response. A slightly higher opening of 85-12 up from 85.09 on Friday encouraged further buying after the opening of Chicago and it closed firmer at 85-14.

### CURRENCY MOVEMENTS

| Feb. 3 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 73.0 | −18.1 |
| U.S. dollar | 123.7 | +14.1 |
| Canadian dollar | 77.9 | −15.8 |
| Austrian schilling | 123.8 | +5.7 |
| Belgian franc | 03.5 | −8.9 |
| Danish Kroner | 84.1 | −2.0 |
| Deutsche mark | 139.4 | +13.1 |
| Swiss franc | 151.3 | +12.5 |
| Guilder | 121.0 | +8.0 |
| French franc | [illegible] | −10.6 |
| Lira | [illegible] | −18.4 |
| Yen | [illegible] | +55.5 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Feb. 3 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

* CS/SDR rate for January 31 [illegible].

### OTHER CURRENCIES

| Feb. 3 | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

* Selling rate.

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.3865 | 1.3813 | 1.3699 | 1.3538 | 1.3290 |

IMM—STERLING $s per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | 1.3820 | 1.3890 | 1.3805 | 1.4055 |
| June | 1.3650 | 1.3670 | 1.3620 | 1.3900 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### STERLING INDEX

| | Feb. 3 | Previous |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu February 3 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | 2.44351 | −3.12 | −0.68 | ±1.5162 |
| Irish Punt | 0.724578 | 6.713875 | −1.48 | +0.05 | ±1.6673 |
| Italian Lira | 1520.00 | 1472.62 | −3.15 | −2.11 | ±4.0856 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### LONDON

[illegible]

### CHICAGO

[illegible]

### LIFFE—EURODOLLAR OPTIONS

[illegible]

### LIFFE £/$ OPTIONS

[illegible]

### LONDON SE £/$ OPTIONS

[illegible]

### PHILADELPHIA SE £/$ OPTIONS

[illegible]

## MONEY MARKETS

# UK rates higher on weak pound

Interest rates rose in London yesterday as sterling fell sharply amid fears of lower oil prices. There was also considerable unease ahead of today's UK banking statistics with a sharp rise in money growth and bank lending expected. The Bank of England maintained its recent stance and refused to be influenced by demands for higher base rates. Three-month interbank money rose to 13⅛-13⅛ per cent from 12⅞-12⅞ per cent, while three-month bank bills were bid at 12⅞ per cent up from 12⅞-12⅞ per cent. Overnight interbank money touched a low of 11 per cent before finishing nearer 18 per cent.

The Bank of England forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £815m and Exchequer transactions a further £200m. In addition banks brought forward balances £140m below target. These were partly offset by a fall in the note circulation of £300m. The Bank offered an early round of assistance which totalled £413m and comprised outright purchases of £43m of eligible bank bills in band 2 at 12⅞ per cent, £104m in band 3 at 12¾ per cent and £266m in band 4 at 12⅞-12¾ per cent.

Further help was given in the morning of £176m again through outright purchases of eligible bank bills, £3m in band 1 at 12⅞ per cent, £159m in band 2 at 12⅞ per cent, £9 min band 3 at 12¾ per cent and £5m in band 4 at 12⅞ per cent.

Additional help was given in the afternoon of £109m. This was made up of purchases of £6m of eligible bank bills in band 1 at 12¾ per cent, £48m in band 2 at 12⅞ per cent, £15m in band 3 at 12¾ per cent and £40m in band 4 at 12⅞ per cent. The forecast was later revised to a shortage of around £800m before taking into account the early help and the Bank provided late assistance of £10m, making a total of £708m.

In Frankfurt the Bundesbank announced 28 and 63 day sale and repurchase agreements to inject further liquidity into the money market. Funds will be allocated to banks tomorrow and are expected to offset maturing agreements of DM10.4bn. The shorter 28-day facility carries a fixed rate of 4.5 per cent and the 63-day agreement 4.55 per cent.

UK clearing banks base lending rate 12½ per cent since January 9

### NEW YORK RATES

(Lunchtime)

| | |
|---|---|
| Prime rate | 9½ |
| Broker loan rate | 9 |
| Fed funds | 8 |
| Fed funds at intervention | — |
| **Treasury Bills & Bonds** | |
| One month | 6.59 |
| Two month | 7.03 |
| Three month | 7.20 |
| Six month | 7.41 |
| One year | 7.57 |
| Two year | 7.98 |
| Three year | 8.21 |
| Four year | 8.34 |
| Five year | 8.50 |
| Seven year | 8.84 |
| 10 year | 9.04 |
| 30 year | 9.30 |

### FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 3)

| Three months U.S. dollars | | Six months U.S. dollars | |
|---|---|---|---|
| bid 7 15/16 | offer 8 1/16 | bid 7 15/16 | offer 8 1/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

| Feb. 3 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard In'v'ntion |
|---|---|---|---|---|---|---|
| Frankfurt | 4.5-4.6 | 4.25-4.40 | 4.45-4.60 | 4.45-4.60 | 4.50-4.65 | 5.5 |
| Paris | 9 | 8⅞-9 | 8⅞-9 | 8⅞-9 | 8⅞-9⅛ | 8¾ |
| Zurich | -½-1½ | 3⅞-4⅛ | — | 3⅞-4⅛ | — | — |
| Amsterdam | 5¼-5½ | 5⅞-5⅞ | — | 5⅞-5⅞ | — | — |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LONDON MONEY RATES

| Feb. 3 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 11-18 | 12-12⅛ | 12⅞-12⅞ | [illegible] | [illegible] | [illegible] |
| Sterling CDs | — | — | 12⅞-12⅞ | [illegible] | [illegible] | [illegible] |
| Local Authority Depos | 11¾-12 | 12¼-12⅜ | 12¾ | [illegible] | [illegible] | [illegible] |
| Local Author'y Bonds | — | — | 13¼ | [illegible] | [illegible] | [illegible] |
| Discount Mkt Depos. | 11-12½ | 11½-11¾ | 12⅞ | [illegible] | [illegible] | [illegible] |
| Company Depos | 12-12⅜ | 12⅛-12¾ | 13¾ | [illegible] | [illegible] | [illegible] |
| Finance Hse Depos | — | — | 12¾ | [illegible] | [illegible] | [illegible] |
| Treasury Bills (Buy) | — | — | 13⅞ | [illegible] | [illegible] | [illegible] |
| Bank Bills (Buy) | — | — | 12¾ | [illegible] | [illegible] | [illegible] |
| Fine Trade Bills (Buy) | — | — | 13⅞ | [illegible] | [illegible] | [illegible] |
| Dollar CDs | — | — | 7.85-7.[illegible] | [illegible] | [illegible] | [illegible] |
| SDR Linked Depos | — | — | 8¼-8[illegible] | [illegible] | [illegible] | [illegible] |
| ECU Depos | — | — | 10⅜-10[illegible] | [illegible] | [illegible] | [illegible] |

Treasury Bills (sell): one-month 12½ per cent; [illegible]. Bank Bills (sell): one-month 12½-12⅝ per cent; [illegible]. Treasury Bills: Average tender rate at discount [illegible]. Finance Scheme IV reference date December 4 [illegible] per cent. Local authority and Finance Houses [illegible] days' fixed. Finance Houses Base Rate 12½ per cent [illegible]. Tax Deposits (Series 5). Deposits £100,000 and over held under one month 12 per cent; one-three months 12¾ per cent; [illegible].







# £ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 3, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

| COUNTRY | CURRENCY | VALUE OF £ STERLING |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

[illegible]

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Building Societies

Public Board and Ind.

Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## AMERICANS—Cont.

## CANADIANS

## BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Cont.

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

هكذا اصه الأصل

هكذا من الأصل



## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

## MINES—Continued

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

[illegible]

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✠ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ✦✦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 102 | .... | Fin. 13% 97/02 | £104¼ | .... |
| Craig & Rose £1 | 850 | .... | Arnotts | 230 | .... |
| Finlay Pkg. 5p | 46 | +1 | CPI Hldgs. | 56 | .... |
| Holt Llos 25p | 720 | .... | Carroll Inds. | 145xd | .... |
| IoM Stm. £1 | 52 | .... | Dublin Gas | 55 | .... |
| | | | Hall R. & H.I. | 68 | .... |
| IRISH | | | Heiton Hldgs. | 25 | .... |
| Fund 11¼% 1988 | £97¼ | −¼ | Irish Ropes | 49 | .... |
| Nat. 9¾% 84/89 | £93 | −½ | Unidare | 150 | .... |

"Recent Issues" and "Rights" Page 38
(International Edition Page 36)

# LONDON STOCK EXCHANGE

**Account Dealing Dates**

| *First Dealings | Option Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Jan 13 | Jan 23 | Jan 24 | Feb 3 |
| Jan 27 | Feb 6 | Feb 7 | Feb 17 |
| Feb 10 | Feb 20 | Feb 21 | Mar 3 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

## Oil price fears return and equity index backtracks from record

The sterling/oil situation returned to unsettle financial markets in London yesterday. The share market was initially cautious although underpinned to some extent by Wall Street's surge on Friday to another new peak. However, a fall in North Sea oil prices caused nervousness, sending sterling lower and *commercial rates for credit* higher. Inevitably the pressures on the current bank base rate level of 12½ per cent, which the authorities successfully defended a fortnight ago, revived again.

Leading equities backtracked from Friday's record levels but losses rarely amounted to much until spot oil prices gave further ground. Brent crude fell below $17 per barrel for the first time.

Potential buyers of equities then decided to withdraw and light selling took a toll on some blue chip issues. International stocks were supported by the weakness of the exchange rate index and often resisted the downturn. Containing many such stocks, the FT Ordinary share index retreated only 5.7 to close at 1155.3; the broader-based FT-SE 100 share index came back 9.9 to 1425.1.

Currency considerations put Gilt-edged securities down from the opening. Institutional operators were loathe to commit funds ahead of today's banking statistics, due to be announced at 2.30 pm, but the market was still able to absorb light offerings from smaller private investors. For much of the session, longer-dated Gilts were around ½ lower but the falls were extended late on reports that oil futures had opened "limit" down in the US.

The tone weakened in the after-hours' trade and longer Gilts finally settled about ¾ down on balance. The shorts gave up amounts ranging to ⅛ but index-linked found sporadic support on fears of rising UK inflation and closed generally ⅛ harder.

### Clearers weak

Clearing banks took a turn for the worse as Latin American debt worries resurfaced. Barclays, a firm market last week on the proposed $500m floating rate note issue, fell 15 to 443p, while Lloyds gave up 10 at 443p. NatWest also relinquished 10 at 683p and Midland cheapened 5 to 425p. Elsewhere, Hambros continued to respond favourably to last week's surprise news that Hambro Trust is to sell its stake in the merchant bank, and touched a new peak of 225p at *the outset before closing* unaltered at 217p; HT receded 4 at 243p on profit-taking.

Abbey Life, up 12 last Friday amid vague rumours concerning ITT's shareholding, gave up 5 at 208p on profit-taking ahead of today's investment seminar with brokers Rowe and Pitman. Elsewhere in Insurances, Royals gave up 10 at 785p, while Sun Alliance, following fourth-quarter figures from its US associate Chubb, *cheapened 5 at 582p*.

Among regional Breweries, Davenports, 20 cheaper at 390p, reacted to scattered country selling following the board's rejection of the revised and final offer from Wolverhampton and Dudley.

Leading Buildings suffered a defensive mark-down as interest rate worries resurfaced. Blue Circle lost 10 to 533p and RMC slipped 4 to 490p, while Rugby Portland Cement, a good market recently on takeover speculation, came back 5 to 154p. Barratt Developments gave up 5 to 118p and George Wimpey shed 3 to 140p. Against the trend, Redland firmed 5 to 378p on news that the company is to partner US insurance group USAA in the *development* of an 800-acre property development in San Antonio, Texas. Among secondary issues, profit-taking left Ward Holdings 8 lower at 268p and clipped 4 from John Mowlem, at 318p, but renewed demand in a restricted market lifted Copson 6 to 42p. Press comment highlighting bid possibilities helped Phoenix Timber add 3 to 96p.

ICI were supported in the wake of several US investment recommendations and closed 11 higher at 827p.

### Stores dull

Revived fears of dearer money and a consequent reduction in consumer spending unsettled leading Stores. Quotations gave *ground throughout, albeit* in relatively quiet trading. A minor rally developed after-hours, but losses still extended to 15 as in recently buoyant Burton, 537p. Harris Queensway dipped 8 to 206p, after 204p, while Woolworth, down to 455p at one stage, settled 11 cheaper on balance at 457p. Storehouse fell 7 to 300p, while W. H. Smith A, supported last week following the encouraging interim figures, closed 6 off at 274p. Secondary counters, however, again provided some useful gains amid selective speculative demand. A lively two-way business developed in Lee Cooper which dipped to 205p before rallying to 215p—a net loss of 3. Executex Clothes touched 58p before settling a couple of pence up on balance at 56p, while the interim results lifted Andre De Brett a penny to 28p, after 28p. "Call" option activity aided Blanchards, finally 5 dearer at 98p, while fresh enthusiasm was evident for *WW, another 10* to the good at 198p.

BICC, stimulated of late by its participation in the successful Channel Tunnel consortium, advanced further to touch a new peak of 300p before closing a net 5 higher on the day at 293p following the board's decision to make no pension contributions for the next two years thus boosting pre-tax profits by £10m in 1986 and 1987. GEC hardened a couple of pence to 172p as did Thorn EMI to 389p, but STC came on offer at 105p, down 4. Among secondary Electricals, Chloride reflected press comment with a rise of 2 at 49p, after 50p, while Radius added 8 to 110p, after 115p, as investors took an increased interest ahead of the preliminary figures scheduled for February 25.

Engineers provided several noteworthy movements despite a relatively quiet overall trading session. Following news of the agreed offer from Thomas Robinson, dealings resumed in Wadkin at 190p compared with the suspension price of 176p; the former, suspended at 152p, were quoted at 196p. Good preliminary figures left Bulloough 20 higher at 233p, while weekend *press mention stimulated further* persistent demand for Woodhouse and Rixson which gained 6½ more to 70½p. Speculative buying left Saville Gordon 4 higher at 58p, after 57p. Leading issues were inclined easier, although Hawker managed a small improvement at 471p.

Losses among the Food leaders were generally modest. Recent takeover favourite Cadbury Schweppes were underpinned by currency influences and settled just a penny cheaper at 165p. Overseas buying helped Rowntree Mackintosh harden a couple of pence to 410p, while occasional support left Hazlewood 8 better at 798p. Among Retailers, Bejam shed 5 to 167p, after 168p, following the acquisition of Tesco's Victor Value division.

Leading Hotels made a distinctly dull showing owing to a lack of support. Grand Metropolitan shed 8 to 380p and Ladbroke gave up 7 to 317p, while Trusthouse Forte lost 4 to 148p. Elsewhere, Breakmate rose 20 to 200p pending news of the bid approach. Recently-depressed Prince of Wales Hotels revived strongly and gained 8 to 72p.

### Extel react

The majority of leading miscellaneous industrials gave ground, but helped to a certain extent by currency influences, Glaxo hardened 5 to 868p. BOC were also noteworthy for a gain of 7 at 297p. In contrast, Boots gave up 6 to 237p, while Pilkington fell 8 to 345p and Metal Box closed 5 cheaper at 615p. Beecham were again briskly traded and touched 370p before settling a penny easier on balance at 365p. Following comment on the Demerger Corporation bid, Extel reacted to 380p before fresh buying took the price up to a close of 386p, a fall of 9 on the day. Weekend Press mention prompted renewed buying interest *in Cowan de Groot which* closed 6 to the good at 73p, after 77p, while acquisition news left Parkfield Group 12 higher at 240p. Smiths Industries came to life with a gain of 9 to 244p, but profit-taking clipped 7 from *Bridon* at 133p and 6 *from* Turner and Newall at 132p. Speculative demand left Bestair 5 to the good at 111p and Spong 2 dearer at 19p. Reflecting the results from Reebok International, Pentland improved 10 to 335p. UKO International continued to edge higher with a fresh rise of 6 at 114p, while newspaper comment prompted a gain of 8 to 280p in Booker McConnell and left Sycamore 3 better at 25p.

Motors provided a couple of the session's outstanding features. Jaguar, again the subject of sizeable US support, advanced 22 more to 412p—the shares have risen from 335p since the start of the year. BL spurted 9 to 42p as the *Government* confirmed that talks are in progress with General Motors over the possible disposal of BL's commercial vehicles division. Selected Distributors improved in sympathy, notably Hartwells, 4 up at 73p, and Appleyard, 3 to the good at 83p. Revived speculative demand aided Bramall, another 3 up at 215p. Among Components, Lucas hardened a few pence more to 513p, while Aerospace Engineering, scheduled to announce interim figures on Thursday, rose 5 to 53p.

Takeover speculation continued among estate agents and Mann & Co. featured with a gain of 10 at 238p, after 240p. *Connells* made early progress to 197p before profit-taking left the close just a penny dearer on balance at 193p.

Textiles highlighted Textured Jersey which advanced 13 to 125p in response to the increased interim profits and dividend. Don Bros. Buist, 4 up at 146p, and Munton Bros. 1½ to the good at 15½p made fresh progress but other recent speculative favourites gave ground on occasional profit-taking. Illingworth Morris dipped 4 to 96p, *while Parkland* A fell 3 to 122p. Debron, however, hardened a couple of pence to 56p following news that MDC holds around 8.5 per cent of the equity.

Tobaccos turned easier. Imps *fell 2* to 240p, while Rothmans, unsettled by the third-quarter figures from its Canadian operation, gave up 3 to 133p.

Among mixed Financial Trusts, Flextech put on 3 to 53p awaiting today's interim results. Support from "down-under" left Keyweest 9 higher at 104p, but James Ferguson dropped 3 to 20p on a newspaper's "take profits" advice.

### BP easier

Another steep decline in North Sea oil prices, reflecting uncertainty over the outcome of the current OPEC meeting in Vienna, oil price cuts by Mexico and Venezuela and the sharp increase in oil production by Nigeria, prompted a general retreat by the oil sector. Selling pressure in the leaders was by no means heavy but lack of support saw prices lose ground throughout the day. BP settled 9 lower at 568p while Shell were 3 easier at 667p. Tricentrol moved against the trend and touched 148p prior to closing a net 8 higher at 143p reflecting takeover speculation.

Firm features in Overseas Traders included Inchcape, 13 higher at 353p, reflecting the weakness of sterling, and *Lonrho which moved up 4 more* to 236p following substantial traditional and traded options business. Recently-buoyant Tozer Kemsley met persistent profit-taking and slipped 3 to 78p.

### Golds edge higher

A rather quiet session in mining markets saw South African Golds hold up well despite the further decline by the bullion price. The latter slipped back to close another $2.125 easier on *balance at $347.5 an ounce, a fall* of $10.25 over the past two trading days. US buying late on Friday following the South African President's speech at the re-opening of the South African Parliament prompted dealers to mark share price higher at the outset of trading in London. Thereafter, quotations gradually edged higher reflecting persistent small buying interest and a marked absence of selling pressure to close around the day's best levels. However, dealers reported a marked reduction in turnover in the sector.

The Gold Mines index posted a 3.6 gain at 344.9.

Platinums performed similarly to Golds. Rustenburg were well supported and eventually closed 26 firmer at 890p with Impala a like amount better at 680p. South African Financials recorded modest gains throughout the list. "Amgold" featured with a £1½ improvement at £53½. Middle Wits advanced a further 50 to 800p and Gold Fields of South Africa hardened ½ to £10½; Interim results from the last-named are scheduled for today.

Relatively subdued business in the underlying securities was reflected in Traded Options. Total contracts amounted to 13,343—9,695 calls and 3,645 puts. Imperial Group were lively, however, with 1,765 calls and 731 puts transacted as operators awaited the OFT's decision regarding the possible reference of Hanson Trust's bid to the Monopolies Commission. Jaguar, the subject of considerable American interest recently, attracted 999 calls, while recent favourite Lonrho continued to attract substantial enthusiasm with 1,851 calls and 322 puts done.

## FINANCIAL TIMES STOCK INDICES

| | Feb. 3 | Jan. 31 | Jan. 30 | Jan. 29 | Jan. 28 | Jan. 27 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 80.89 | 80.34 | 81.23 | 81.11 | 81.16 | 80.61 | 79.27 |
| Fixed Interest | 87.17 | 87.24 | 87.18 | 87.14 | 87.15 | 86.70 | 85.10 |
| Ordinary ♥ | 1155.3 | 1161.0 | 1156.4 | 1150.0 | 1136.4 | 1132.4 | 966.3 |
| Gold Mines | 344.9 | 341.3 | 342.2 | 331.2 | 347.7 | 357.0 | 473.3 |
| Ord. Div. Yield | 4.46 | 4.45 | 4.46 | 4.48 | 4.46 | 4.55 | 4.46 |
| Earnings, Yld. % (full) | 10.86 | 10.82 | 10.85 | 10.89 | 10.86 | 11.01 | 11.16 |
| P/E Ratio (net) (*) | 11.46 | 11.51 | 11.47 | 11.43 | 11.47 | 11.30 | 10.77 |
| Total bargains (Est.) | 25,092 | 28,003 | 28,264 | 29,194 | 27,046 | 26,230 | 24,706 |
| Equity turnover £m. | — | 523.72 | 635.52 | 632.15 | 615.09 | 668.20 | 266.34 |
| Equity bargains | — | 23,681 | 23,765 | 25,725 | 26,818 | 25,672 | 20,779 |
| Shares traded (ml) | — | 248.0 | 256.8 | 289.9 | 290.4 | 273.7 | 129.8 |

♥ 10 am 1158.6. 11 am 1160.1. Noon 1157.7. 1 pm 1155.7. 2 pm 1155.3. 3 pm 1155.1. 4 pm 1155.1. Day's High 1161.7. Day's Low 1154.8. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=11.03.

**HIGHS AND LOWS** / **S.E. ACTIVITIES**

| — | 1985/86 High | 1985/86 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 84.67 (18/12/85) | 78.03 (28/1/85) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 90.98 (25/10/85) | 82.17 (28/1/85) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1161.0 (31/1/86) | 911.0 (25/7/85) | 1161.0 (31/1/86) | 49.4 (26/6/40) |
| Gold Mines | 536.2 (16/4/85) | 217.6 (5/11/85) | 734.7 (15/2/83) | 43.6 (26/10/71) |

| INDICES | Jan. 31 | Jan. 30 |
|---|---|---|
| Daily: Gilt Edged Bargains | 115.4 | 123.7 |
| Equities Bargains | 154.7 | 154.0 |
| Value | 1058.5 | 1082.4 |
| 5 day Average: Gilt Edged Bargains | 132.4 | 135.6 |
| Equities Bargains | 163.8 | 168.0 |
| Value | 1202.9 | 1257.4 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | [illegible] | [illegible] | [illegible] |
| Corpns. Dom. and Foreign Bonds | [illegible] | [illegible] | [illegible] |
| Industrials | [illegible] | [illegible] | [illegible] |
| Financial and Props. | [illegible] | [illegible] | [illegible] |
| Oils | [illegible] | [illegible] | [illegible] |
| Plantations | [illegible] | [illegible] | [illegible] |
| Mines | [illegible] | [illegible] | [illegible] |
| Others | [illegible] | [illegible] | [illegible] |
| Totals | [illegible] | [illegible] | [illegible] |

## FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List

| Stock | No. of changes | Fri. close | Day's change |
|---|---|---|---|
| Extel | [illegible] | [illegible] | [illegible] |
| Abbey Life | [illegible] | [illegible] | [illegible] |
| ICI | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Hambros | [illegible] | [illegible] | [illegible] |
| Beecham | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| STC | [illegible] | [illegible] | [illegible] |
| Brit & Comm. | [illegible] | [illegible] | [illegible] |
| Brit Telecom | [illegible] | [illegible] | [illegible] |
| First Castle | [illegible] | [illegible] | [illegible] |

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change |
|---|---|---|
| Acorn Computer | [illegible] | [illegible] |
| BICC | 293 | +5 |
| Bulloough | 233 | +20 |
| Extel | 386 | −9 |
| Int. Leisure | [illegible] | [illegible] |
| Jaguar | [illegible] | +22 |
| Lee Cooper | 215 | −3 |
| LASMO | [illegible] | [illegible] |
| Parkfield | 240 | +12 |
| Shell Transport | 667 | −3 |
| Sycamore | 25 | +3 |
| Woodhouse & Rixson | 70½ | +6½ |

## TRADITIONAL OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Feb 3 | Feb 14 | May 8 | May 19 |
| Feb 17 | Feb 28 | May 29 | June 9 |
| Mar 3 | Mar 14 | June 12 | June 23 |

*For rate indications see end of Unit Trust Service*

Money was given for the call of Vosper, Imps, Hongkong and Shanghai Banking, Assets Special Situation Trust, Courtaulds, Hambros Commercial Union, North Charterland, Standard Chartered, Norfolk Capital, Blanchards, STC, Hampton Areas, Sound Diffusion Armour Trust, Atlantic Resources, Arlen, Freshbake Clive Discount, Microvitec, Ratners (Jewellers), Combined Technologies, Stainless Metalcraft, Amstrad and Lonrho. A put was struck in Thomas Robinson, while doubles were taken out in Sound Diffusion and Stainless Metalcraft.

## NEW HIGHS AND LOWS FOR 1985/86

### NEW HIGHS (101)

AMERICANS (10), BANKS (3), BUILDINGS (2), CHEMICALS (1), STORES (5), ELECTRICALS (6), ENGINEERING (10), FOODS (4), HOTELS (1), INDUSTRIALS (23), INSURANCE (1), LEISURE (3), MOTORS (5), NEWSPAPERS (2), PAPER (5), PROPERTY (5), TEXTILES (2), TRUSTS (11), OVERSEAS TRADERS (1), MINES (1).

### NEW LOWS (10)

CANADIANS (1) Bow Valley, BUILDINGS (1) Watts Blake, STORES (1) Underwoods, FOODS (1) Bio-Isolates, INDUSTRIALS (1) Oldacre, TRUSTS (2) Equity Finance Bor Cnv.Uns.Ln 1995/2000, F & C Enterprise Trust, OILS (3) Great Western Resources, Hamilton Oil, Sceptre Resources.

## RECENT ISSUES—EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | +or − | Net dividend | Times covered | Gross yield | P/E ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price £ | +or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | +or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]



## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS & SUB-SECTIONS** — Figures in parentheses show number of stocks per section — Mon Feb 3 1986

| Group | Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Fri Jan 31 Index No. | Thurs Jan 30 Index No. | Wed Jan 29 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (213) | [illegible] | | | | | | | | | |
| 2 Building Materials (24) | [illegible] | | | | | | | | | |
| 3 Contracting, Construction (27) | [illegible] | | | | | | | | | |
| 4 Electricals (13) | [illegible] | | | | | | | | | |
| 5 Electronics (39) | [illegible] | | | | | | | | | |
| 6 Mechanical Engineering (63) | [illegible] | | | | | | | | | |
| 8 Metals and Metal Forming (7) | [illegible] | | | | | | | | | |
| 9 Motors (18) | [illegible] | | | | | | | | | |
| 10 Other Industrial Materials (22) | [illegible] | | | | | | | | | |
| 21 CONSUMER GROUP (183) | [illegible] | | | | | | | | | |
| 22 Brewers and Distillers (23) | [illegible] | | | | | | | | | |
| 25 Food Manufacturing (22) | [illegible] | | | | | | | | | |
| 26 Food Retailing (14) | [illegible] | | | | | | | | | |
| 27 Health and Household Products (9) | [illegible] | | | | | | | | | |
| 29 Leisure (25) | [illegible] | | | | | | | | | |
| 31 Packaging and Paper (15) | [illegible] | | | | | | | | | |
| 32 Publishing & Printing (13) | [illegible] | | | | | | | | | |
| 34 Stores (43) | [illegible] | | | | | | | | | |
| 35 Textiles (16) | [illegible] | | | | | | | | | |
| 36 Tobaccos (3) | [illegible] | | | | | | | | | |
| 39 OTHER GROUPS (85) | [illegible] | | | | | | | | | |
| 41 Chemicals (19) | [illegible] | | | | | | | | | |
| 42 Office Equipment (4) | [illegible] | | | | | | | | | |
| 44 Shipping and Transport (12) | [illegible] | | | | | | | | | |
| 45 Telephone Networks (2) | [illegible] | | | | | | | | | |
| 46 Miscellaneous (48) | [illegible] | | | | | | | | | |
| 49 INDUSTRIAL GROUP (481) | [illegible] | | | | | | | | | |
| 51 Oil & Gas (19) | [illegible] | | | | | | | | | |
| 59 500 SHARE INDEX (500) | [illegible] | | | | | | | | | |
| 61 FINANCIAL GROUP (119) | [illegible] | | | | | | | | | |
| 62 Banks (7) | [illegible] | | | | | | | | | |
| 65 Insurance (Life) (9) | [illegible] | | | | | | | | | |
| 66 Insurance (Composite) (7) | [illegible] | | | | | | | | | |
| 67 Insurance (Brokers) (8) | [illegible] | | | | | | | | | |
| 68 Merchant Banks (11) | [illegible] | | | | | | | | | |
| 69 Property (51) | [illegible] | | | | | | | | | |
| 70 Other Financial (26) | [illegible] | | | | | | | | | |
| 71 Investment Trusts (103) | [illegible] | | | | | | | | | |
| 81 Mining Finance (3) | [illegible] | | | | | | | | | |
| 91 Overseas Traders (14) | [illegible] | | | | | | | | | |
| 99 ALL-SHARE INDEX (739) | [illegible] | | | | | | | | | |
| FT-SE 100 SHARE INDEX | 1425.1 | −9.9 | | | | | | | | |

### FIXED INTEREST

| PRICE INDICES | Mon Feb 3 | Day's change % | Fri Jan 31 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 5 years | [illegible] | | | | |
| 2 5-15 years | [illegible] | | | | |
| 3 Over 15 years | [illegible] | | | | |
| 4 Irredeemables | [illegible] | | | | |
| 5 All stocks | [illegible] | | | | |
| Index-Linked | | | | | |
| 6 5 years | [illegible] | | | | |
| 7 Over 5 years | [illegible] | | | | |
| 8 All stocks | [illegible] | | | | |
| 9 Debentures & Loans | [illegible] | | | | |
| 10 Preference | [illegible] | | | | |

| AVERAGE GROSS REDEMPTION YIELDS | Mon Feb 3 | Fri Jan 31 | Year ago (approx.) |
|---|---|---|---|
| British Government: Low Coupons 5 years / 15 years / 25 years | [illegible] | [illegible] | [illegible] |
| Medium Coupons 5 years / 15 years / 25 years | [illegible] | [illegible] | [illegible] |
| High Coupons 5 years / 15 years / 25 years | [illegible] | [illegible] | [illegible] |
| Irredeemables | [illegible] | [illegible] | [illegible] |
| Index-Linked: Inflation rate 5% 5 yrs. / Over 5 yrs. | [illegible] | [illegible] | [illegible] |
| Inflation rate 10% 5 yrs. / Over 5 yrs. | [illegible] | [illegible] | [illegible] |
| Debs & Loans 5 years / 15 years / 25 years | [illegible] | [illegible] | [illegible] |
| Preference | [illegible] | [illegible] | [illegible] |

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

## EUROPEAN OPTIONS EXCHANGE

| Series | | Feb. Vol. | Feb. Last | May Vol. | May Last | Aug. Vol. | Aug. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $340 | 13 | 13 B | 4 | 25 | — | — | $347.90 |
| GOLD C | $360 | 101 | 3 | 17 | 13.50 | 1 | 24 | " |
| GOLD C | $380 | 124 | 0.60 | 47 | 6 | — | — | " |
| GOLD C | $400 | — | — | 10 | 4 | 29 | 2.50 | " |
| GOLD P | $320 | — | — | 14 | 3.50 | 38 | 6.50 | " |
| GOLD P | $340 | 5 | 3 | 50 | 2 | 10 | 12 | " |
| [illegible] | | | | | | | | |

TOTAL VOLUME IN CONTRACTS: 43,300

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

| Option | | Calls Apr. | Calls July | Calls Oct. | Puts Apr. | Puts July | Puts Oct. |
|---|---|---|---|---|---|---|---|
| B.P. (*568) | 500 | 75 | 80 | — | 5 | 11 | — |
| | 550 | 50 | 43 | 53 | 26 | 32 | 42 |
| [illegible] | | | | | | | |

| Option | | Calls Feb. | Calls May | Calls Aug. | Puts Feb. | Puts May | Puts Aug. |
|---|---|---|---|---|---|---|---|
| P. & O. (*463) | 390 | 65 | 72 | — | 1 | 3 | — |
| | 420 | 37 | 47 | 57 | 2 | 16 | 18 |
| [illegible] | | | | | | | |

February 3 Total contracts 13,341. Calls 9,695 Puts 3,646
*Underlying security price

# WORLD STOCK MARKETS

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FRANCE

## GERMANY

## ITALY

## NETHERLANDS

## NORWAY

## SPAIN

## SWEDEN

## SWITZERLAND

## AUSTRALIA

## AUSTRALIA (continued)

## HONG KONG

## JAPAN

## JAPAN (continued)

## SINGAPORE

## SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

## CANADA

### TORONTO

*Prices at 2.30pm February 3*

## Indices

### NEW YORK—DOW JONES

### STANDARD AND POORS

### N.Y.S.E. ALL COMMON

### RISES AND FALLS

### NYSE-Consolidated 1500 Actives

### TORONTO

| | Feb. | Jan. | Jan. | Jan. | 1985-86 High | 1985-86 Low |
|---|---|---|---|---|---|---|
| SOUTH AFRICA JSE Gold (28/9/78) | — | 1206.1 | 1305.9 | 1294.2 | 1307.3 (27/1/86) | 829.5 (5/8) |
| JSE Indust (28/9/78) | — | 1089.1 | 1000.5 | 1061.7 | 1112.9 (8/1/86) | 707.1 (7/5) |
| SPAIN Madrid SE (30/12/85) | 110.72 | 109.45 | 108.88 | 107.56 | 113.11 (20/1/86) | 100.0 (30/12/85) |
| SWEDEN Jacobson & P (31/12/56) | 1782.81 | 1767.90 | 1760.48 | 1728.57 | 1887.25 (8/1/86) | 1285.52 (8/7) |
| SWITZERLAND Swiss BankCpn (31/12/58) | 578.5 | 568.5 | 585.5 | 578.2 | 625.5 (8/1/86) | 888.7 (6/1/85) |
| WORLD M.S. Capital Intl. (1/1/70) | — | 254.7 | 258.2 | 258.5 | 258.7 (5/2/86) | 184.8 (4/1/85) |

** Saturday February 1: Japan Nikkei 13,043.81. TSE 1,044.33.

Base value of all indices is 100, except: Brussels SE—1,000; JSE Gold—255.7; JSE Industrial 264.3; Australia All Ordinary and Metals—500; NYSE Composite—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

## OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

## NYSE COMPOSITE PRICES

Continued from Page 39

## LONDON Chief price changes (in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| BICC | 293 | + 5 |
| BL | 42 | + 9 |
| BOC | 297 | + 7 |
| Bullough | 233 | +20 |
| Cowan de Groot | 73 | + 7 |
| ICI | 827 | +11 |
| Jaguar | 412 | +22 |
| Mann & Co. | 238 | +10 |
| Prin of Wales | 72 | + 8 |
| Radius | 110 | + 8 |
| Redland | 378 | + 5 |
| Robin (Thomas) | 195 | +13 |
| Smiths Inds. | 244 | + 9 |
| Text Jersey | 125 | +13 |
| Wadkin | 190 | +20 |
| Woodho & Rix | 70½ | +6½ |

| FALLS | | |
|---|---|---|
| Tr 13% 1990 | £104 | —⅝ |
| Tr 13½% 04/08 | £124½ | — ¾ |
| Acorn Comp | 76 | — 9 |
| Amstrad | 248 | — 8 |
| Barclays | 443 | —15 |
| Barratt Devs. | 118 | — 5 |
| Bejam | 167 | — 5 |
| Blue Cir | 533 | —10 |
| BP | 568 | — 9 |
| Burton | 537 | —15 |
| Davenp Brew. | 390 | — 20 |
| Ladbroke | 317 | — 7 |
| Lloyds Bank | 443 | —10 |
| Rugby Port. Cem. | 154 | — 5 |

*Prices at 3pm, February 3*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28 | 16 | AAR | .56 | 2.1 | 19 | 226 | 26½ | 26¼ | 26½ | +⅛ |
| 24⅝ | 10¼ | AGS | | | 16 | 78 | 22¾ | 22½ | 22⅝ | +⅛ |
| 15⅝ | 9⅞ | AMCA | | | | 2 | 12⅛ | 12⅛ | 12⅛ | −⅛ |
| 50¾ | 35¼ | AMR | | | 8 | 4364 | 48⅛ | 46¾ | 47¼ | +1⅛ |
| 24¼ | 18⅝ | AMR pf2.18 | | 9.0 | | 3 | 24¼ | 24⅛ | 24⅛ | +¼ |
| 25⅝ | 23¼ | ANR pf2.67 | | 11. | | 3 | 25 | 24½ | 25 | +⅛ |
| 11¾ | 7⅝ | APL | | | 3 | 20 | 10⅝ | 10½ | 10½ | |
| 16¾ | 10⅝ | ARX | | | 13 | 112 | 14 | 13¾ | 14 | +⅛ |
| 55⅞ | 32¾ | ASA | 2a | 5.1 | | 494 | 40⅜ | 39⅜ | 39⅞ | −⅞ |
| 26½ | 10½ | AVX | | | 23 | 127 | 14½ | 14⅛ | 14⅝ | +⅛ |
| 26⅞ | 20⅝ | AZP | 2.72 | 10. | 7 | 3377 | 26¾ | 26 | 26¾ | −⅜ |
| 72 | 40 | AbtLab 1.40 | | 2.1 | 18 | 1685 | 69 | 67⅞ | 68¼ | −½ |
| 26½ | 16⅝ | AccoWd .50 | | 1.7 | 21 | 350 | u29¼ | 28¼ | 28¼ | +1 |
| 24¾ | 10 | AcmeC .40 | | 3.6 | 19 | 154 | 13⅝ | 13 | 13¼ | −⅜ |
| 10½ | 7 | AcmeE .32b | | 3.7 | 16 | 30 | 8⅞ | 8¾ | 8¾ | −⅛ |
| 19¾ | 16⅛ | AdaEx 1.90e | | 11. | | 113 | 18 | 17¾ | 17¾ | |
| 22¾ | 14 | AdmMl .40 | | 1.9 | 9 | 12 | 21 | 20¾ | 20¾ | −⅛ |
| 18⅝ | 8¾ | AdvSys1.32 | | 7.6 | 16 | 706 | 17½ | 17⅛ | 17½ | +¾ |
| 35⅞ | 22⅛ | AMD | | | | 3853 | 27⅞ | 26⅞ | 27⅛ | −¼ |
| 12⅝ | 10⅝ | Adobe n | | | | 54 | 11⅝ | 11½ | 11⅝ | +¼ |
| 18⅝ | 14⅝ | Adob pf 1.64 | | 11. | | 25 | 17⅛ | 16¾ | 17 | +⅛ |
| 18½ | 15¼ | Adob pf 2.40 | | 18. | | 7 | 18⅛ | 18 | 18 | |
| 15⅝ | 8⅛ | Advest .12a | | .8 | 13 | 161 | 14¾ | 14¼ | 14½ | |
| 57½ | 38⅛ | AetnLf 2.64 | | 4.6 | 19 | 2906 | 57¼ | 55⅞ | 57 | +1⅛ |
| 100¼ | 98¾ | AetL pfC | | | | 25 | 100¼ | 100¼ | 100¼ | +¼ |
| 68¼ | 27¼ | Ahmns 1.20 | | 2.8 | 7 | 1581 | 68¼ | 57⅝ | 59 | +1¾ |
| 4⅝ | 2½ | Aileen | | | 213 | 126 | 4¼ | 4⅛ | 4¼ | |
| 72½ | 46⅞ | AirPrd 1.40 | | 2.1 | 15 | 226 | 71½ | 70⅝ | 70⅝ | −⅝ |
| 24⅝ | 17½ | AirbFrt .60 | | 3.2 | 11 | 150 | 19¼ | 18½ | 18⅞ | −⅜ |
| 2⅛ | 1½ | AlMoan .50c | | | | 143 | 2 | 1⅞ | 1⅞ | −⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



Continued on Page 39

هكذا من الأصل



# NYSE COMPOSITE PRICES

Continued from Page 38

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called.d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 15 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*Prices at 3pm, February 3*

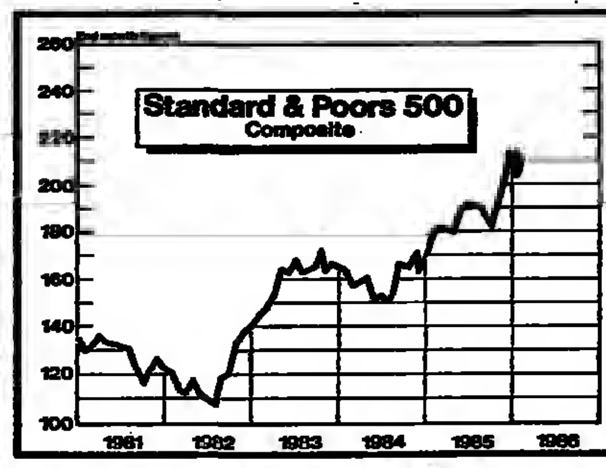
# OVER-THE-COUNTER

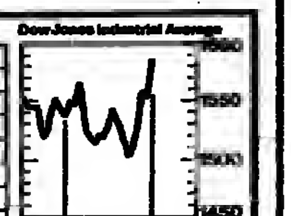
*Nasdaq national market, 2.30pm prices*

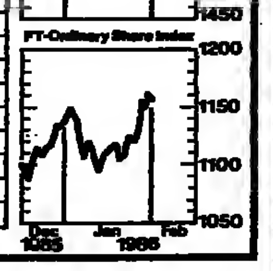
Continued on Page 37

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | Feb 3 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,584.29* | 1,570.99 | 1,277.72 |
| DJ Transport | 751.90* | 748.58 | 609.94 |
| DJ Utilities | 177.52* | 176.91 | 148.65 |
| S&P Composite | 212.93* | 211.78 | 178.63 |
| **LONDON** | | | |
| FT Ord | 1,155.3 | 1,161.0 | 988.3 |
| FT-SE 100 | 1,425.1 | 1,435.0 | 1,272.6 |
| FT-A All-share | 692.74 | 698.41 | 609.86 |
| FT-A 500 | 760.51 | 764.47 | 666.75 |
| FT Gold mines | 344.9 | 341.3 | 473.3 |
| FT-A Long gilt | 10.75 | 10.67 | 10.82 |
| **TOKYO** | | | |
| Nikkei | 13,086.47 | 13,024.30 | 11,946.90 |
| Tokyo SE | 1,048.00 | 1,041.62 | 926.01 |
| **AUSTRALIA** | | | |
| All Ord. | 1,072.9 | 1,075.1 | 772.7 |
| Metals & Mins. | 534.2 | 539.4 | 445.0 |
| **AUSTRIA** | | | |
| Credit Aktien | 119.44 | 120.14 | 60.40 |
| **BELGIUM** | | | |
| Belgian SE | 2,853.42 | 2,841.70 | 2,114.28 |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Minls | 2,258.2* | 2,268.81 | 2,159.00 |
| Composite | 2,833.8* | 2,842.96 | 2,575.40 |
| **Montreal** | | | |
| Portfolio | 139.12* | 139.28 | 130.14 |
| **DENMARK** | | | |
| SE | 223.22 | 220.73 | 174.33 |
| **FRANCE** | | | |
| CAC Gen | n/a | 284.8 | 195.7 |
| Ind. Tendance | 106.2 | 106.7 | 69.0 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 653.77 | 650.30 | 397.09 |
| Commerzbank | 1,986.9 | 1,950.4 | 1,156.6 |
| **HONG KONG** | | | |
| Hang Seng | 1,702.38 | 1,695.78 | 1,366.26 |
| **ITALY** | | | |
| Banca Comm. | 481.26 | 477.36 | 264.89 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 254.9 | 250.4 | 197.0 |
| ANP-CBS Ind | 245.4 | 240.7 | 156.6 |
| **NORWAY** | | | |
| Oslo SE | 376.92 | 374.72 | 329.28 |
| **SINGAPORE** | | | |
| Straits Times | 614.15 | 607.32 | 831.25 |
| **SOUTH AFRICA** | | | |
| JSE Golds | – | 1,286.1 | 925.3 |
| JSE Industrials | – | 1,089.1 | 864.1 |
| **SPAIN** | | | |
| Madrid SE | 110.72 | 109.83 | 85.94 |
| **SWEDEN** | | | |
| J & P | 1,732.61 | 1,757.86 | 1,461.56 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 576.6 | 566.5 | 413.1 |
| **WORLD** | Jan 31 | Prev | Year ago |
| MS Capital Int'l | 259.7 | 258.2 | 197.1 |

**CURRENCIES**

| (London) | US DOLLAR Feb 3 | US DOLLAR Previous | STERLING Feb 3 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.3965 | 1.413 |
| DM | 2.4 | 2.389 | 3.3275 | 3.375 |
| Yen | 191.50 | 192.75 | 265.5 | 272.5 |
| FFr | 7.3525 | 7.3125 | 10.195 | 10.3325 |
| SFr | 2.0350 | 2.027 | 3.8225 | 2.865 |
| Guilder | n/a | 2.698 | 3.76 | S.8125 |
| Lira | n/a | 1,627.5 | 2,261.5 | 2,299.5 |
| BFr | n/a | 48.85 | 67.95 | 69.05 |
| C$ | n/a | 1.42425 | 1.9849 | 2.0061 |

**COMMODITIES**

| (London) | Feb 3 | Prev |
|---|---|---|
| Silver (spot fixing) | 434.50p | 431.90p |
| Copper (cash) | £1,002.50 | £1,008.50 |
| Coffee (May) | £2,272.50 | £2,297.50 |
| Oil (spot Arabian Light) | n/a | n/a |

**GOLD (per ounce)**

| | Feb 3 | Prev |
|---|---|---|
| London | $347.50 | $349.50 |
| Zürich | $347.55 | $350.875 |
| Paris (fixing) | $347.67 | $356.00 |
| Luxembourg | $347.60 | $353.70 |
| New York (April) | $347.40 | $349.70 |

**INTEREST RATES**

| | Feb 3 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 13⅝ | 12[illegible] |
| SFr | 4⅞ | 4⅞ |
| DM | 4[illegible] | 4[illegible] |
| FFr | 16¼ | 16⅞ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 8⅛ | 8[illegible] |
| 6-month US$ | 8⅛ | 8⅛ |
| **US Fed Funds** | 8* | 8 |
| **US 3-month CDs** | 7.65* | 7.75 |
| **US 3-month T-bills** | 6.98* | 7.18 |

**US BONDS**

| Treasury | | Feb 3* Price | Feb 3* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|---|
| 8¾ | 1988 | 100[illegible] | 7.986 | 100[illegible] | 8.039 |
| 8⅝ | 1993 | 99[illegible] | 8.834 | 99[illegible] | 8.914 |
| 9¼ | 1995 | 102[illegible] | 9.032 | 102[illegible] | 9.095 |
| 9⅝ | 2015 | 105[illegible] | 9.290 | 105[illegible] | 9.353 |

| Treasury Index Maturity (years) | Feb 3* Return Index | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 139.06 | +0.17 | 8.68 | +0.01 |
| 1–10 | 135.58 | +0.12 | 8.42 | +0.01 |
| 1–3 | 130.17 | +0.09 | 8.04 | +0.01 |
| 3–5 | 137.70 | +0.15 | 8.55 | –0.01 |
| 15–30 | 151.61 | +0.38 | 9.59 | –0.02 |

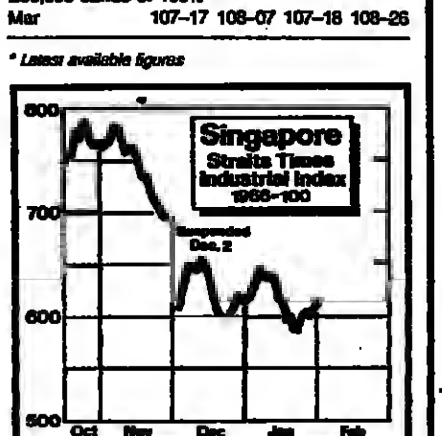
Source: Merrill Lynch

| Corporate | Feb 3* Price | Feb 3* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 10⅜ June 1990 | 100⅞ | 10.15 | 100⅞ | 10.15 |
| 3⅞ July 1990 | 86⅝ | 7.80 | 86⅛ | 7.65 |
| 8⅝ May 2000 | 91⅝ | 9.89 | 92 | 9.80 |
| Xerox | | | | |
| 10⅞ Mar 1993 | 104 | 9.82 | 104 | 9.82 |
| Diamond Shamrock | | | | |
| 10⅞ May 1993 | 101 | 10.42 | 101 | 10.42 |
| Federated Dept Stores | | | | |
| 10⅞ May 2013 | 102.45 | 10.35 | 102 | 10.40 |
| Abbot Lab | | | | |
| 11.80 Feb 2013 | 110⅞ | 10.64 | 110⅞ | 10.65 |
| Alcoa | | | | |
| 12½ Dec 2012 | 108⅞ | 11.25 | 108⅞ | 11.25 |

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Mar | 85-19 | 85-21 | 85-07 | 85-05 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| Mar | 93.18 | 93.22 | 93.17 | 93.20 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Mar | 92.43 | 92.43 | 92.43 | 92.43 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Mar | 92.10 | 92.14 | 92.09 | 92.08 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Mar | 107-17 | 108-07 | 107-18 | 108-26 |

* Latest available figures




WALL STREET

# Strength in bonds tests new peaks

FURTHER falls in oil prices and in bond market yields sustained Wall Street yesterday, *writes Terry Byland in New York.*

After an uncertain start, stock prices turned higher at mid-session as General Motors announced increased profits for the final quarter of last year.

Stocks were led higher by the rise in the bond market as it moved confidently toward the week's heavy funding programme from the Treasury.

By 3pm the Dow Jones industrial average added 13.30 to reach 1,584.29.

Other market indices climbed towards their previous peaks, with the exception of the American Stock Exchange Index, which was restrained by weakness in the domestic oil stocks.

General Motors flicked higher in response to the 1985 trading statement but was soon off the top, with a net rise of $⅝ at $74⅞. GM eased $¼ to $40½ in minimal trading.

The other Detroit stocks hung back as analysts warned that the recent surge in car shares should be viewed as a temporary phase. At $45⅝ Chrysler shed $⅝, and Ford, after rising strongly over the past fortnight, backed off $⅝ to $62.

Airline stocks rose strongly again in response to the month-long slide in oil prices, which represent the industry's major cost.

Among the domestic carriers, American gained $1 to $47⅝, United $1 to $54¾ and Delta $1⅛ to $44⅝. Pan Am, however, remained steady at $6⅝ as bid speculation cooled off.

Banking stocks brushed off the renewed slide in oil prices and extended last week's rally. Once again the best favoured was Citicorp, $1⅞ up at $49½ with the market's confidence supported by reviews of the bank in the investment press.

The major oil stocks suffered further losses although selling was not heavy. Exxon shed $½ to $51⅛, Chevron $⅜ to $35½ and Mobil $¼ to $29⅞.

Weaker features included Atlantic Richfield, down $1⅛ at $51⅞, and Standard Ohio, down $⅜ at $47. Among oil industry service stocks Schlumberger tumbled $1⅛ to $32⅛.

But there were still signs of bullishness in the energy sector. Mesa Petroleum, the investment vehicle of Mr T. Boone Pickens, showed no change at $2½ on news that an investment group has taken a 5.7 per cent stake.

Pioneer, a Texas energy exploitation group, bounced up $1⅞ to $20⅞ as Mr Irwin Jacobs offered $23 a share for the outstanding equity.

Technology stocks again summed up the tone of the session, remaining firm in steady trading, but lacking fireworks. At $152½ IBM gained $1 while Honeywell added $⅝ to $76⅛ and Burroughs $½ to $67⅞.

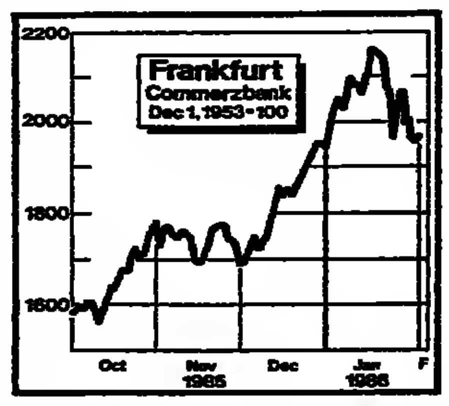
Among the personal computer makers Commodore rallied $½ to $7⅞ after saying it had obtained a waiver on certain financial requirements.

Lockheed edged up $⅛ to $46¼ after its results.Companies involved in the space shuttle project rallied from the falls which followed last week's disaster at Cape Canaveral. Morton Thiokol at $31⅞ regained $⅝, and Rockwell at $35⅝ was $⅛ better. United Technologies, at 46⅞, made no response to news that it planned to buy in about 10m shares.

Last week's gains in chemical stocks brought some profit-taking, but pharmaceuticals again benefited from a lower dollar. Merck gained $2½ to $140⅞ and Bristol-Myers was $1⅛ up at $62⅞.

Heavy trading in Beatrice Group took the shares up $1⅞ to $45⅝ as a modified agreement on the $6.2bn buyout plan from Kohlberg Kravis opened the way for its consummation.

Optimism in the credit market was held back by federal funds rate above 8 per cent early in the session. Short-term rates showed little change, but the bond market was in good fettle as it waited for the $23bn Treasury funding programme to open with tomorrow's sales of $9bn three-year notes. Long-dated issues were ½ point up at mid-session.




EUROPE

# Modicum of enthusiasm seeps back

SOME DEGREE of enthusiasm returned to Europe yesterday, encouraged by the firmer tone which developed late last week and Friday's record high on Wall Street.

**Zurich** prospered from this sentiment, and prices were pushed higher by investors anticipating lower interest rates.

Falling oil prices were also cited as contributing to the overall upward move, but one Swiss broker noted that this may have the long-term effect of depressing the market as countries find it difficult to repay their loans.

Banks and insurance issues, which plummeted last Thursday as profits were hurriedly taken, regained their strength as forward trading in both sectors was introduced.

Bank Leu, which last week announced that its 1985 dividend would remain unchanged, gained SFr 155 to SFr 4,480, and Swiss Bank put on SFr 5 to SFr 553 while Crédit Suisse, at SFr 3,600, was SFr 50 ahead.

In insurance issues, Winterthur added SFr 100 to SFr 5,000, Swiss Re SFr 300 to SFr 14,600 and Zurich Insurance SFr 65 to SFr 5,840.

Jacobs Suchard, the coffee roaster and confectioner, announced that it expected higher profits for 1985 despite only a marginal increase in sales. The issue rose SFr 190 to SFr 7,450.

**Amsterdam** also recovered some strength after last week's bout of profit-taking.

Banks recorded substantial gains, and the ANP-CBS General index rose 4.5 to 254.9.

Akzo was boosted by reports on Friday about its plans to link with a Dutch construction group to produce reinforced concrete using Akzo's aramid fibres. This followed Akzo's announcement of higher profits for 1985. The blue chip added Fl 4.80 to Fl 165.10.

Among other market leaders Royal Dutch rose 60 cents to Fl 167.80 despite predictions that Opec's committee meeting in Vienna would not halt the world oil price decline.

**Brussels** edged higher in anticipation of the start today of the 15-day domestic share trading term.

Fabrique Nationale, the armaments-to-sports-goods group, saw a gain of BFr 25 to BFr 3,005. The company expects to break even for 1985 but again will not pay a dividend. In steels Cockerill put on BFr 6 to BFr 175 despite rumours of poor yearly results, and Arbed, Luxembourg's steelmaker, rose BFr 100 to BFr 2,730.

**Milan** was higher as industrial and insurance issues were bought in highly selective trading.

Both Snia and Pirelli recorded strong gains, the former adding L167 to L5,730 and the latter rising L137 to L4,135. Olivetti, which has linked with a US group to develop a chain of personal computer shops in Western Europe, was unchanged at L10,150.

Among insurance issues Generali moved ahead sharply, gaining L560 to L81,010, while Toro made less of an impression, adding L1,000 to L30,000.

One of the session's biggest gains was made by sugar producer Eridania, which advanced to L14,850, a rise of L1,340.

**Frankfurt** fell after a higher opening as foreign interest waned.

Bourse statistics revealed that turnover in shares and bonds for January totalled a record DM 36.3bn, which was more than double December 1985's DM 16bn and almost three times higher than in January 1985, when it stood at DM 12.6bn.

In yesterday's trade, retailers attracted the strongest demand while car shares ended mixed and banks were weaker.

Deutsche Bank dropped DM 8.50 to DM 775, Dresdner lost DM 1.50 to DM 401.50 and Commerzbank shed DM 4.80 to DM 304.50 ex-rights.

Department store Horten added DM 5.50 to DM 207, Kaufhof DM 16.90 to DM 395.00 and Karstadt DM 6.00 to DM 335.00.

Bonds edged 5 to 10 basis points higher, and the Bundesbank sold DM 70.3m of paper after selling DM 59.7m on Friday.

**Stockholm** was dull, and prices faded. Ericsson, which has won $30m worth of mobile telephone orders in the US, lost SKr 5 to SKr 222.

In Oslo Norsk Data dropped NKr 1 to NKr 405 despite healthy results for 1985.

Paris fell to profit-taking while Madrid rose in relatively routine trading.

TOKYO

# Fresh rate cut hope fuels rally

RISING EXPECTATIONS of another cut in the official discount rate, prompted by the yen's brief rise beyond the Y190 barrier to the dollar, drove share prices moderately higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Some large-capital stocks were bought at one stage, but buying interest centred on low and medium-priced "incentive-backed" issues.

The Nikkei average gained 42.86 from last week's close to 13,086.47. Trading was active at 425m shares compared with last Friday's 415m. Advances outran declines by 511 to 302, with 130 issues unchanged.

Large-capital stocks, such as Nippon Steel and Tokyo Electric Power dominated early trading. But the interest was sparked by purchases by securities houses' dealer sections and not institutional investors.

Japan Synthetic Rubber topped the active list with 19.86m shares traded, and soared Y56 to Y497, supported by its plan to import a diagnostic drug for Aids from a French laboratory. The issue rose to Y519 at one stage. However, the company said the planned import could not contribute largely to its earnings position.

Toshin Steel, which had shown violent fluctuations on speculative buying, closed Y14 higher at Y448, becoming the second busiest issue with 10.26m shares.

Shin-Etsu Chemical attracted buying interest on the strength of the recovery in demand for semiconductors, gaining Y40 to Y1,070. Janome Sewing Machine, the third most active issue with 9.82m shares, added Y8 to Y863, helped by its advance into educational business in a link with IBM Japan.

Nippon Steel, also active with 6.01m shares changing hands, rose Y3 to Y161. Tokyo Electric Power surged Y60 to Y2,900 and Tokyo Gas Y14 to Y300.

The yen's continued firmness against the dollar evoked interest in issues that stand to benefit from domestic demand expansion, with Nishi-Nippon Railroad jumping Y37 to Y320 and Odakyu Electric Railway Y46 to Y514.

In the afternoon session, however, blue chips came under heavy small-lot selling pressure caused by fears that the stronger yen might cut their export profits.

TDK shed Y100 to Y4,280, Sony Y80 to Y3,830 and Matsushita Electric Industrial Y20 to Y1,310.

Bond prices got off to a strong start, with banks' dealer sections entering the market actively on prospects that the rapid rise in the yen's exchange value might prompt the Bank of Japan to lower the discount rate again.

The yield on the 6.2 per cent government bond, maturing in July 1995, fell to 5.53 per cent at one point, but finished at 5.580 per cent, unchanged from last weekend.

LONDON

# Sterling and oil return to unsettle

STERLING and oil returned to unsettle London financial markets yesterday.

An initially cautious tone, a natural aftermath of Friday's record, was rapidly transformed into a more serious bout of nerves as a fall in North Sea oil prices dragged sterling lower and pushed commercial rates for credit higher.

Blue chips took the brunt of the selling although some internationals were buoyed by the weakness of the exchange-rate index. The FT Ordinary index, which is based on many of these issues, retreated only 5.7 to close at 1,155.31 while the broader-based FT-SE 100 lost 9.9 to 1,425.1.

Currency considerations hit gilts from the start. Institutions were loath to commit funds ahead of today's banking statistics, but the market was still able to absorb light offerings from small private investors.

For much of the session longs were ½ lower, but losses were extended to ¾ in after-hours dealings. Shorts shed up to ⁵⁄₁₆, and index-linked issues dropped up to ⅛.

*Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34–35*

### HONG KONG

A WEAK START was swiftly overcome in Hong Kong although overseas buyers were notably absent. The Hang Seng index firmed 6.80 to 1,702.38.

Utility and property issues were again the focus of local support, with Cheung Kong up 20 cents to HK$19.80 and Hongkong & Kowloon Wharf 10 cents higher at HK$7.05. Hongkong Land traded 10 cents up to HK$8.40 and Hong Kong Telephone 20 cents to HK$10.80.

Hutchison Whampoa moved against the improved technical trading and lost 20 cents to HK$25.80, and Jardine Matheson dipped 10 cents to HK$12.10.

### AUSTRALIA

INDUSTRIALS counter-balanced most of the weakness among Sydney resource issues and left the All Ordinaries index 2.5 down at 1,072.9.

Institutional buying was evident among industrial blue chips, with BHP – trading ex a one-for-five bonus issue – losing 14 cents from its adjusted price to A$7.26. Bell Resources, also ex-bonus, retreated 9 cents to A$5.24

FAI Insurances picked up 16 cents to A$6.90 after stronger-than-expected first-half profits. News Corp continued to gain ground on the hopes of a management victory in the London printing dispute. It firmed 20 cents to A$11.20.

### SINGAPORE

A MODEST RALLY was staged in Singapore, boosting the Straits Times industrial index 6.83 to 614.15 although the Pan-Electric affair still overhangs the market inhibiting many operators from taking up new positions.

Singapore Airlines was the most active – with 1.9m of the 7.7m shares traded – and rose 20 cents to S$5.55. Promet, also active, shed 1 cent to 49½ cents while Sime Darby firmed 3 cents to S$1.49.

### CANADA

RESOURCES, particularly oil and gold stocks pushed Toronto lower as unease over world prices continued.

Gulf Canada slipped C$½ to C$20, and Dome Petroleum 2 cents to C$2.71. Among weaker golds Lac Minerals surrendered C$⅝ to C$35.

Industrials and utilities made some meagre progress in a dull Montreal.

### SOUTH AFRICA

THE STRONGER rand, aided by President Botha's speech on Friday, underpinned Johannesburg although golds dipped in response to a weaker bullion price.

Buffels was R1.50 cheaper at R81.50, and Free State Geduld turned R1.50 lower to R72 although Driefontein picked up 35 cents to R54.35.